

THE ROLE OF THE BOARD OF DIRECTORS IN NONPROFIT MERGERS AND
STRATEGIC ALLIANCES:
It's All Over The Board

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Abstract

Mergers and strategic alliances, two forms of strategic restructuring that are normally associated with the private sector, are becoming increasingly popular in the nonprofit sector. The board of directors is among the key stakeholders who generally have a role in the strategic restructuring process. This thesis takes an in-depth look at what the merger and strategic alliance process looks like for three recent cases in the Colorado Springs area, as well as what the board of director's role was in those processes. Interviews were conducted with eleven board members, executives and staff members at AspenPointe, the Pikes Peak YMCA, former USO of the Pikes Peak Region, Partners in Housing, and the Myron Stratton Home. The findings show that the board has an integral and complex role in the nonprofit merger and strategic alliance process.

KEYWORDS: (Nonprofits, Mergers, Alliances, Board of Directors)

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CHAPTER I

INTRODUCTION

The nonprofit sector goes by many names, whose diversity matches the variety of activities it encompasses: “charitable, voluntary, tax-exempt, independent, third, or philanthropic sector”.¹² It was officially formed when “charitable, scientific, and educational” organizations were given tax exempt status after the national income tax was established in 1913.³ This sector is small, yet “growing faster than business or government”.⁴ In 2008, 1.51 million nonprofit organizations registered with the IRS, which is almost 30% greater than 10 years prior (see Figure 1.1).⁵ Not only are nonprofits part of a growing sector, they transcend political boundaries.⁶ The presence of nonprofits is vital in society because they serve social needs that the government cannot fulfill, ranging from religious to educational to arts to health institutions.⁷ In difficult economic times, the services nonprofit organizations provide are in greater

¹ Kennard T. Wing, Thomas H. Pollak, and Amy Blackwood. 2008. *The Nonprofit Almanac 2008*. Washington, D.C.: Urban Institute Press.

² Frumkin, Peter. 2005. *On Being Nonprofit :A Conceptual and Policy Primer*. Cambridge, Mass.: Harvard University Press: 10

³ Ibid, 10-11.

⁴ Wing, Pollak, and Blackwood. 2008

⁵ Kennard T. Wing, Katie L. Roeger, and Thomas H. Pollak. 2010. *The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering, 2010*. Washington, DC: The Urban Institute.

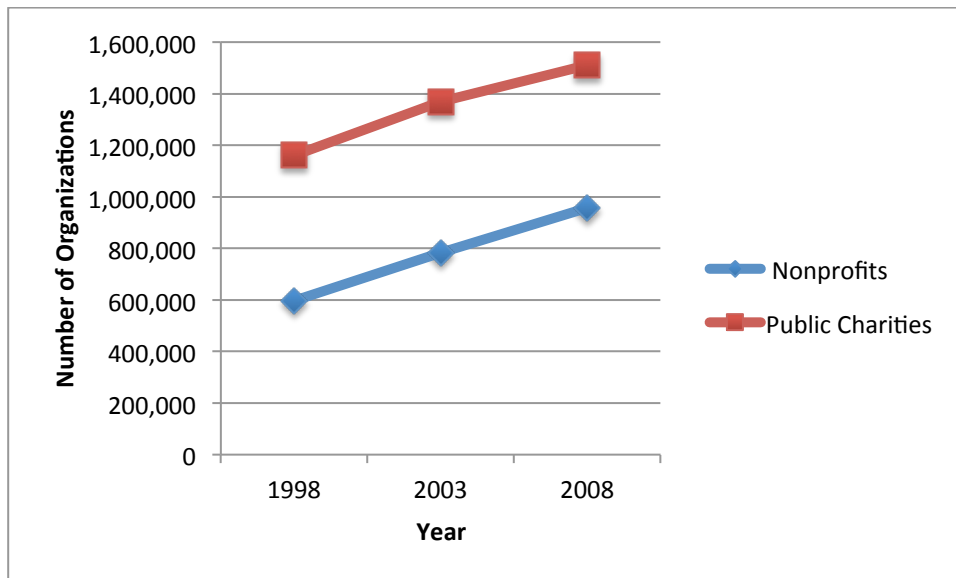
⁶ Frumkin, 16.

⁷ Ibid, 25.

demand than ever, which requires more funding and resources than they currently have.⁸ Nonprofit organizations need to be studied further in order to determine ways they can be made more effective in serving communities across the country.

FIGURE 1.1

INCREASE IN NONPROFIT ORGANIZATIONS FROM 1998 TO 2008



Source: Wing, Kennard T., Katie L. Roeger, and Thomas H. Pollak. 2010. *The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering, 2010*. Washington, DC: The Urban Institute.

Collaboration, Mergers and Strategic Restructuring

Conventional thought says that there are too many nonprofits, yet the real problem is that there is too little funding that many nonprofits and communities need. In order to benefit from resources that they may not otherwise have access to, nonprofits⁹

⁸ Peter Goldberg. 2009. Tread Lightly in Nonprofit Mergers. *Chronicle of Philanthropy* 21, no. 11 (03/26) : 27.

⁹ David La Piana. 2010. Merging Wisely. *Stanford Social Innovation Review* 8, no. 2 (Spring 2010): 28.

frequently collaborate. Fifty-two percent of organizations that participated in the “State of the Sector Survey”, which identifies the trends of the nonprofit sector each year, said they responded to challenges by collaborating on programs, and 12% by collaborating on expenses in 2009.¹⁰ On the other hand, mergers only occurred in 1% of nonprofits in this survey.¹¹ This low percentage does not reflect the importance of mergers, which are the complete integration of operations in at least two organizations.¹² Another study found that the cumulative nonprofit merger rate was 1.5% over 11 years, while the cumulative for-profit merger rate is not far ahead, at 1.7%.¹³ This study promotes the strategic benefits of mergers, which include increased quality and efficiency of existing programs, greater funding, more capabilities, and more expansive geographic reach.¹⁴

Mergers are only one form of collaboration along a spectrum of types of partnerships, called “strategic restructuring”, from nonprofits collaborating on one project, creating a separate entity together, a joint venture, to full integration of programs and operations, a merger.¹⁵ David La Piana, who coined the term strategic restructuring, recommends that nonprofits should think of mergers as “a means to implement other strategies, but not as a strategic end unto itself.”¹⁶ Strategic alliances

¹⁰ *2010 State of the Sector Survey*. 2010. Nonprofit Finance Fund.

¹¹ *Ibid.*

¹² Nancy W Basinger, Jessica R. Peterson. 2008. Where You Stand Depends on Where You Sit: Participation and Reactions to Change. *Nonprofit Management and Leadership* 19, no. 2: 243-257.

¹³ Alex Cortez, William Foster, and Katie S. Millway. 2009. Nonprofit Mergers and Acquisitions: More Than a Tool for Tough Times. *The Bridgespan Group*. Available from <http://www.bridgespan.org/Nonprofit-M-and-A.aspx>

¹⁴ *Ibid.*

¹⁵ David La Piana. 2010. Merging Wisely. *Stanford Social Innovation Review* 8, no. 2 (Spring) : 28-33.

are on the middle of the spectrum, because they require more integration than simply collaborating on a project, but less integration than mergers. Strategic alliances can also lead to mergers; they do not have to be executed separately.¹⁷

Nonprofit Strategy

As in for-profit companies, strategy in nonprofit organizations is how an entity positions itself within its market. Strategy must be regularly developed and reassessed based on “environmental conditions and organizational response to those conditions” in order to stay competitive and effective in accomplishing the organization’s mission.¹⁸

Strategy is a key component of mergers. Mergers must fit into a long-term plan; if these decisions are made in a rush, it is already too late and there will be negative short and long term effects. They must be carefully thought out because they take more time than any other form of strategic restructuring.¹⁹

Nonprofit Board Of Directors

The purpose and functions of the board of directors are highly debated in the nonprofit world, yet their significance in nonprofits is clear. In 2009, 60% of nonprofits who participated in the “State of the Sector” study engaged their boards in order to respond to challenges, and planned to continue doing so in 2010.²⁰ In the same study,

¹⁶ Ibid, 31.

¹⁷ Terrence Fernsler. 1999. Coming to Terms with the "M" Word. *Nonprofit World* 17, no. 6 (Nov) : 52-53.

¹⁸ William A. Brown, Joel O. Iverson. 2004. Exploring Strategy and Board Structure in Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly* 33, no. 3 (September 01) : 377-400.

¹⁹ Goldberg, 27.

²⁰ 2010 *State of the Sector Survey*. 2010. Nonprofit Finance Fund.

the top need that nonprofits listed for technical assistance was more tools for communicating with their boards.²¹ This raises questions of how the disconnect between the board and the nonprofit came to be and how it can be decreased or eliminated. Another reason to study boards is that mergers fail because of the inflated egos, of many different stakeholders, but especially the executives and board members.²² Alternately, Goldberg argues that support from the board is *essential* to make mergers work properly.²³ Business trained board members may also help increase the “scope and impact of mergers”²⁴ Those board members who have experience in for-profit mergers may understand how a merger could be advantageous for the nonprofits they serve.²⁵

Structure Of Paper

The first chapter of this thesis has highlighted the importance of studying and prevalence of mergers and other types of strategic restructuring within nonprofit organizations. The second chapter will outline the professional and scholarly research that has been done in this field. It will also state the research question and describe how this study explores a new area that past research has not addressed. The third chapter will describe the research methods used in this study. The fourth chapter will explain and analyze the findings from the interviews. Finally, the fifth chapter will discuss the

²¹ Ibid.

²² Thomas A. McLaughlin, "Why Mergers Fail ." *The Nonprofit Times*, (April, 1998): 9. http://www.fieldstonealliance.org/client/articles/Article-Why_Mergers_Fail.pdf.

²³ Goldberg, 27.

²⁴ Alex Cortez, William Foster, and Katie S. Milway. 2008. Mergers Can Be A Tool For Charities In Tough Times. *Chronicle of Philanthropy* 21, no. 5: 38.

²⁵ Stephanie Strom. 2007. Charities Trying Mergers To Improve Bottom Line. *New York Times* (11/11) : 24.

implications of this study and how further research can continue to explore the issues presented.

CHAPTER II

LITERATURE REVIEW

Nonprofits

As noted in the introduction, the nonprofit sector has been rapidly growing throughout the past ten years. Frumkin describes that a theoretical basis on nonprofits formed in the 1970s and 80s “focused heavily on the idea of government and market failure.”¹ La Piana argues that market failure is the still main reason for the existence of nonprofits today.² Frumkin created a framework through which to study the nonprofit sector’s activities, with a tension between the supply and demand for services and the two motivations for engagement in the sector: “instrumental” and “expressive”. He looks at this sector as having four functions: “service delivery”, “social entrepreneurship”, “civic and political engagement”, and “values and faith”, which are formed by supply and demand as the drivers of nonprofit activity and by instrumental and expressive rationales as two main explanations for nonprofit activity (See Table 2.1).³

¹ Peter Frumkin. 2005. *On being nonprofit :A conceptual and policy primer*. Cambridge, Mass.: Harvard University Press: 25.

² David La Piana and Michaela Hayes. 2005. *Play To Win: The Nonprofit Guide To Competitive Strategy*. San Francisco: Jossey-Bass: 2.

³ Frumkin, 25.

TABLE 2.1
FRUMKIN'S NONPROFIT FRAMEWORK

	Demand-Side Orientation	Supply-Side Orientation
Instrumental Rationale	Service Delivery	Social Entrepreneurship
Expressive Rationale	Civic and Political Engagement	Values and Faith

Source: Frumkin, Peter. 2005. *On being nonprofit :A conceptual and policy primer*. Cambridge, Mass.: Harvard University Press: 25.

La Piana describes his nonprofit economic model in comparison with for-profits, which he adapted from Rosso.⁴ In for-profit businesses, the customer buys a good or service from the business and in general, pays them enough to give the shareholders profit.⁵ Alternately, nonprofits have consumers who pay little to no fees for their programs or services. “[T]hird party payers”, who range from governmental bodies to philanthropic and corporate foundations, cover the remaining costs.⁶ Tensions arise for the nonprofit to prioritize and meet the needs of both parties: the one who pays for the nonprofit to deliver services and the other who benefits from those services.⁷

⁴ La Piana, 7

⁵ Ibid.

⁶ Ibid, 9.

⁷ Ibid, 10.

McLaughlin provides a life cycle model for nonprofits, with six stages similar to those of for-profit businesses. Those stages are “formless” (the organization does not associate with others, is simply responding to a social issue), “growing” (the organization has an understanding of the need for its services, yet its activities are mostly focused on growing the organization itself), “consolidating” (the organization is well-established within the nonprofit sector and begins to work with others), “peaking” (the organization is influential and is a leader within the sector), “maturing” (the organization is beyond its peak and it is not as unique as it was before) and “refocusing” (the organization may reach this stage if it has not faded out its services already and will reevaluate its strategy in order to regain its edge).⁸

Nonprofit Strategy

Strategy is vital in ensuring a nonprofit organization’s effectiveness. There are many ways to create a strategic plan, however one of the most prominent is McLaughlin’s “strategic positioning”. He describes it as “a lean, flexible, and powerful way of moving an organizational agenda forward in an uncertain and constantly changing future.”⁹ The goal of strategic positioning is building a vision of what an organization wants its future to look like and not exactly how it will attain that vision.¹⁰ The ‘how’ is generally created by the management, who determine the mechanics of the process. “An organization’s strategy flows from its mission...organizational structure

⁸ Thomas A. McLaughlin *Nonprofit Mergers and Alliances: A Strategic Planning Guide*. New York: Wiley, 1998: 19-20.

⁹ Ibid, p. 61

¹⁰ Thomas A. McLaughlin *Nonprofit Strategic Positioning: Decide Where to Be, Plan What to Do*. Hoboken, NJ: J. Wiley & Sons, 2006: 61

flows from strategy.”¹¹ McLaughlin suggests an outline for the process, while emphasizing that it is not a prescribed set of steps; each organization needs to conduct the process in a manner appropriate for them.¹² The outline goes as follows: 1) “Reaffirm the mission statement”, 2) “Scan the organization’s future for projected trends and patterns based on current realities”, 3) “Scan the organization’s internal strengths”, 4) “Decide where you want to be in 5-10 years”, 5) “Craft a succinct statement of the desired strategic position”, 6) “Devise a work plan for getting there.”¹³ Additionally, McLaughlin asserts that in order for nonprofits to be successful in today’s world, they need to incorporate collaboration in their strategic planning.¹⁴

Many for-profits utilize the S.W.O.T. (Strengths, Weakness, Opportunities and Threats) method to begin formulating strategy. An alternative for nonprofits is “strength-based planning”, which is necessary because strategic planning needs to be an uplifting and motivating process for all parties involved.¹⁵ To make this form of planning successful, participants must remain humble, stick to the facts that support their statements, and have group supported strengths.¹⁶ Core competencies, a concept first studied in for-profits by Prahalad and Hamel should be clearly articulated, as well. Similar to, yet more intricate than strengths, core competencies are the essence of the services an organization provides better than others and only one or two will be present

¹¹ McLaughlin 1998: 178.

¹² Ibid, 60.

¹³ McLaughlin 2006: 11.

¹⁴ Ibid, 58.

¹⁵ McLaughlin 1998: 103.

¹⁶ Ibid, 106

in each organization.¹⁷ One example that McLaughlin gives is how “[c]hildren’s athletic programs are not about sports but about managing child development...disguised as fun....”¹⁸

Strategic positioning must involve numerous stakeholders (i.e. clients and staff members), not simply the executives and board members for many reasons. First of all, it is not meant to be a free-for-all process; the leaders need to organize it properly by playing to the strengths of group dynamics.¹⁹ The purpose of involving *everyone* in strategic planning discussions is not simply to give the ‘little people’ a pat on the back, either. It allows everyone to feel that they actually have a stake in the decision making process, along with their stake in the direct effects this process has on their lives (i.e. social services that clients receive or the daily job activities of a staff member).²⁰ For this very reason, strategy must be simple and easy to understand for all parties.

La Piana recommends to what area strategy should be shifting its focus. He cited a study from Hopkins and Hyde, stating that strategy is commonly approached from an internal perspective, but organizations need to focus on the external environment in their strategic planning to become more effective.²¹ He calls the process of forming strategy by its commonly used name, strategic planning. Brown and Iverson agree that

¹⁷ Ibid, 109

¹⁸ Ibid, 110

¹⁹ Ibid, 15

²⁰ Ibid, 16

²¹ Karen M. Hopkins and Cheryl Hyde. "The Human Service Managerial Dilemma: New Expectations, Chronic Challenges and Old Solutions." *Administration in Social Work* 26, no. 3 (2002): 1-15.

successful strategic planning involves thorough assessment of environmental factors and determining appropriate tactics to handle the environment.²²

For Profit Mergers and Strategic Alliances

Much of nonprofit literature on mergers and strategic alliances stems from a for-profit base, even though the processes and strategies do not function in the same manner. This section will outline some of the main themes from for-profit literature, followed by an overview of recent non-profit literature and a comparison of the two sectors.

Strategy and Diversification

The conversation surrounding strategy is driven by Porter, who explains the difference between competitive and corporate strategy in relation to diversification, a type of corporate strategy. Competitive strategy is at the “business unit” level, focusing on “how to create competitive advantage in each of the businesses in which the company competes.”²³ Corporate strategy is at the “companywide” level, focusing on which businesses the company should invest in and how to operate all of them.²⁴

Diversification is a growth strategy used to enter a new market or build a new product with the goal of creating shareholder value. It involves some form of restructuring within the company by merging, acquiring or allying with another company. Stimpert and Duhaime add that this form of strategy is more commonly being used as a

²² William A. Brown, Joel O. Iverson. 2004. Exploring Strategy and Board Structure in Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly* 33, no. 3 (September 01) : 377-400.

²³ Michael E. Porter "From Competitive Advantage to Corporate Strategy." *Harvard Business Review* 65, no. 3 (1987): 43-59.

²⁴ Ibid.

preemptive tactic when dealing with intense competition.²⁵ Cisco is an example of a company that has mastered its diversification strategy, having successfully acquired 36 businesses and allied with 100 businesses between 1994 and 2004.²⁶

Corporate restructuring refers to changes made within the assets and corporate strategy of a firm.²⁷ Kale and Singh demonstrate the “scope of interfirm relationships” that exists within the spectrum of these changes (see Figure 2.1).²⁸ Strategic alliances lie in the middle of this spectrum, while mergers and acquisitions (M&A) are the most intensive form of interfirm relationships, as they are the highest form of restructuring. Although Kale and Singh do not distinguish mergers from acquisitions, Kramer et al. describe the difference between the two. Mergers are the fusion of assets between two relatively equal companies to form another company, and acquisitions are the dissolving of a smaller company’s “assets and personnel” into a larger company.²⁹ There are three types of M&A: vertical integration (merging firms that perform different functions along the supply chain), horizontal integration (merging firms that perform the same function along the supply chain), and conglomerate strategy (merging firms from entirely different industries) (Goldberg 1983).

²⁵ J. L. Stimpert, and Irene M. Duhaime. "Seeing the Big Picture: the Influence of Industry, Diversification, and Business Strategy on Performance." *Academy of Management Journal* 40, no. 3 (1997): 563

²⁶ Jeffrey H Dyer & Prashant Kale, and Harbir Singh. 2004. “When to Ally & When to Acquire.” *Harvard Business Review* 82, no. 7 (Jul) : 114.

²⁷ Pursey P. M Heugens, A. R., Hans Schenk. 2004. “Rethinking Corporate Restructuring.” *Journal of Public Affairs (14723891)* 4, no. 1 (02) : 87

²⁸ Kale & Singh, 47.

²⁹ Michael W Kramer, Debbie S. Dougherty, and Tamyra A. Pierce. 2004. Managing Uncertainty During a Corporate Acquisition. *Human Communication Research* 30, no. 1:72-73

Reasons for Merging

Companies merge to “attain strategic goals more quickly and inexpensively than would occur if a firm acted alone (Marks & Mirvis, 1998).”³⁰ Also, they merge to diversify “product and service lines, vertically integrate the organization, enter new markets, share the risk in innovative projects, stimulate innovation, cut costs, and enhance efficiencies.”³¹

Challenges of Merging

Mergers are an inherently challenging undertaking and Porter shows that the majority of them do not last very long.³² The challenges in this process include “tensions between implementing radical change to match the strategy and corporate culture of the acquirer” and maintaining the value of the acquired organization (culture, resources, etc).³³ The stresses of the process are taxing on employees, and from an organizational change perspective, employees often become frustrated, while productivity may decrease as the amount of work increases.³⁴

³⁰ Pietroburgo, Julie, Stephen P. Wernet. 2010. Nonprofit mergers: Assessing the motivations and means. *Journal of Leadership Studies* 3, no. 4: 24.

³¹ Ibid.

³² Porter, “From Competitive Advantage to Corporate Strategy”: 3.

³³ Susan Cartwright, “Mergers and Acquisitions: Why 2 + 2 Does Not Always Make 5,” in *The SAGE Handbook of Organizational Behavior*, ed. Barling, Julian, and Cary L. Cooper (Los Angeles: Sage, 2008), 585.

³⁴ Susan Cartwright, 585.

Strategic Alliances

Kale and Singh describe the paradoxical nature of strategic alliances: they allow companies to grow and gain greater competitive advantages, while they are rarely successful.³⁵ They explain that the predictors of alliance success are a varied combination of “partner complementarity, partner commitment, partner compatibility”, which are the idea of having nonintersecting resources, being fully committed to the relationship and willingness to take risks for the alliance’s benefit, and having fitting cultures.³⁶ Complementarity as a determinant of success is supported by resource-based theories, because firms share resources.³⁷

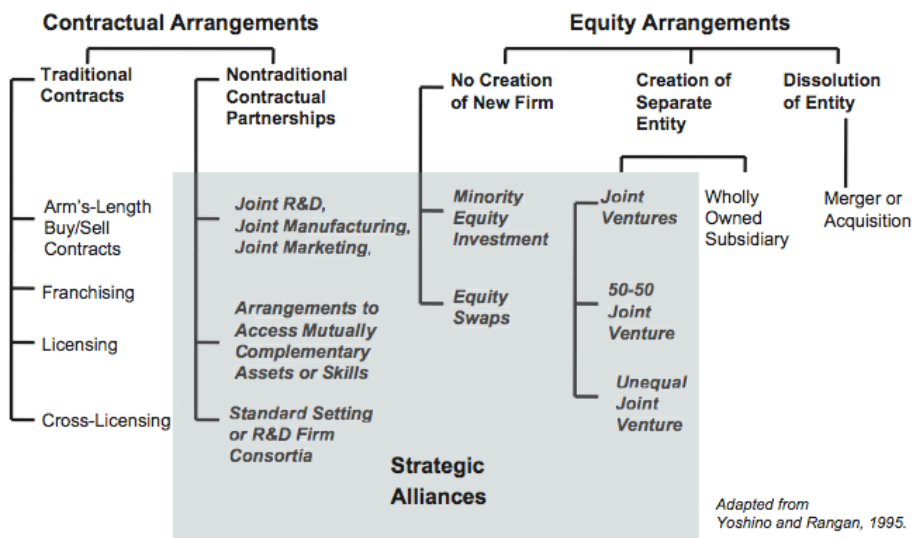
³⁵ Prashant Kale & Harbir Singh. 2009. Managing Strategic Alliances: What Do We Know Now, and Where Do We Go From Here? *Academy of Management Perspectives* 23, no. 3 (08) : 45-62.

³⁶ Kale & Singh, 47

³⁷ Kale & Singh, 47

FIGURE 2.1

SCOPE OF INTERFIRM RELATIONSHIPS

Scope of Interfirm Relationships

Source: Prashant Kale & Harbir Singh. 2009. Managing Strategic Alliances: What Do We Know Now, and Where Do We Go From Here? *Academy of Management Perspectives* 23, no. 3 (08) : 47

Nonprofit Collaboration

Several forms of collaboration between nonprofit organizations are described in current research, although the most recent form is “collective impact”. Kania and Kramer discuss the inefficiencies of “isolated impact”, where many organizations attempt to solve social problems individually, and the organizations with the most impact receive greater funding. Alternatively, with “collective impact”, these same organizations along with firms from the public and private sectors work together to achieve a common goal. This requires a “common agenda”, “shared measurement

systems”, “mutually reinforcing activities”, “continuous communication” and a “backbone support organization” to ensure that the collaboration has a great impact.³⁸

Collaboration vs. Competition

In order for firms, nonprofit and for-profit “to maintain their competitive advantages they must collaborate”³⁹. Because the nonprofit sector lacks motivation in the form of profit, these organizations have less pressure to collaborate. Nonprofits do not compete in the same way that for-profits do, yet “they do compete for clients, funds, and government approval (Hardy, Phillips, & Lawrence, 2003).⁴⁰ Therefore, they must develop a strategy which balances the tension between collaboration and competition with other nonprofits.⁴¹

Sowa says that we should address nonprofit collaboration with multiple theoretical perspectives. She is not the only theorist who thinks this way; Gray and White make the same argument, as Foster and Meinhard point out.⁴² Pietroburgo and Wernet also combine two theories, political economy and resource dependence, to study strategic restructuring.⁴³

³⁸ John Kania, Mark Kramer. 2011. Collective Impact. *Stanford Social Innovation Review* (Winter) : 36-41.

³⁹ McLaughlin, 2006: 82.

⁴⁰ Bindu Arya, Zhiang Lin. 2007. Understanding Collaboration Outcomes From an Extended Resource-Based View Perspective: The Roles of Organizational Characteristics, Partner Attributes, and Network Structures. *Journal of Management* 33, no. 5 (October 01) : 697-723.

⁴¹ La Piana, 2005.

⁴² Mary K Foster, Agnes G. Meinhard. 2002. A Regression Model Explaining Predisposition to Collaborate. *Nonprofit and Voluntary Sector Quarterly* 31, no. 4 (December 01) : 550.

The first theory Sowa proposes is network theory. In this theory, the motivations to collaborate derive from “a willingness to cooperate with others, previous history of collaboration, the need to share expertise, and the need to develop the organization’s ability to adapt to changing circumstances (Alter & Hage, 1993; Powell, 1990; Radin et al., 1996; Thomson, 2001)”⁴⁴ Arya and Lin created the idea of the “collaborative network”, stated as ““a collection of loosely connected or closely knit organizations that share resources,’ which may help member organizations achieve some strategic objectives.”⁴⁵ They emphasize Gulati’s argument that the importance of networks lies in the increased access to resources from the other organizations involved in the partnership.⁴⁶

This leads to the overall resource-based theory. Arya and Lin underline the need for two types of resources: “Firm-level material resources (finance) and nonmaterial resources (status)”, which contribute to the organization’s competitive advantage (Barnett, Greve, & Park, 1994).⁴⁷ Sowa states that “environmental constraints and the need to secure resources” are the reason for collaboration and take away the uncertainty of the organization’s environment.⁴⁸

⁴³ Julie Pietroburgo, Stephen P. Wernet. 2004. Joining forces, fortunes, and futures: Restructuring and adaptation in nonprofit hospice organizations. *Nonprofit Management and Leadership* 15, no. 1: 120.

⁴⁴ Jessica E. Sowa 2009. The Collaboration Decision in Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly* 38, no. 6 (December 01) : 1003

⁴⁵ Arya & Lin, 698

⁴⁶ Arya & Lin, 698

⁴⁷ Arya & Lin, 698.

⁴⁸ Sowa, 1005

Finally, Sowa presents institutional theory, which says that the motivation to collaborate comes from the demand for a collective solution to issues in a certain types of nonprofits and the desire for each organization to gain legitimacy.⁴⁹

Apart from these theories, collaboration is often studied on a continuum, instead of being seen in a black and white view.⁵⁰ Two of these continuums are portrayed in the following section (See Figure 2.2 and Table 2.2). Collaboration is a broad term used to describe a strategy that nonprofits use to gain resources and broaden networks. It is also on the lower end of The Partnership Matrix (Figure 2.2), being on the lowest end of nonprofit ‘interfirm relationships’. The next section goes into depth on more intensive forms of partnerships.

Nonprofit Mergers and Strategic Restructuring

Before delving into the subject of nonprofit mergers and strategic restructuring, it is important to understand all of the key terms in this subject area and in the context of nonprofits (See Table 2.2).⁵¹

⁴⁹ Sowa, 1005

⁵⁰ Foster & Meinhard. 551.

⁵¹ La Piana, *xx-xxi*

TABLE 2.2
NONPROFIT MERGERS AND STRATEGIC RESTRUCTURING TERMS AND
DEFINITIONS

Term	Definition
Collaboration	“A range of relatively informal working relationships between organizations.” (La Piana)
Strategic Restructuring	“A range of partnerships among nonprofits that” are more integrative and formal than “collaboration.” (La Piana)
Strategic Alliances	“Formalized arrangements that are agreement driven and involve shared decision making in the foreseeable future” “include administrative consolidation (where specific functions are mutually supported by the participating organizations) and joint programming (involving the shared provision and management of common programs and services)” (Pietroburgo and Wernet)
Competitive Advantage	“[T]he strength of one group relative to others in its market.” (La Piana)
Competitive Strategy	“A pattern of thoughtful action through which a nonprofit’s leaders seek an increased share of limited resources, with the goal of advancing their mission.” (La Piana)
Merger	“[T]he result of a decision by two or more organizations to combine their operations in a permanent relationship”. ⁵²
Mission	“The improvement or change a nonprofit seeks to achieve in the world.” (La Piana) “[T]he first formal statement of intention that the outside world can understand, the necessarily rough translation of the founding vision into a form...” (McLaughlin, 20)
Strategy	“[A] pattern or behavior that constitutes a way of moving an organization toward its goals.” (La Piana)

Sources: Julie Pietroburgo, Stephen P. Wernet. 2004. Joining forces, fortunes, and futures: Restructuring and adaptation in nonprofit hospice organizations. *Nonprofit Management and Leadership* 15, no. 1: 120.
David La Piana and Michaela Hayes. 2005. *Play To Win: The Nonprofit Guide To Competitive Strategy*. San Francisco: Jossey-Bass
Thomas A. McLaughlin *Nonprofit Strategic Positioning: Decide Where to Be, Plan What to Do*. Hoboken, NJ: J. Wiley & Sons, 2006

Nonprofit mergers come in a variety of forms as for-profit mergers, such as horizontal (organizations with similar missions in the same industry), vertical (organizations with different missions in the same industry), conglomerate

⁵² Martha Golensky, Gerald L. DeRuiter. 2002. The Urge to Merge: A Multiple-Case Study. *Nonprofit Management and Leadership* 13, no. 2: 170

(organizations in different industries) and concentric (organizations in the same industry that are not “direct competition”).⁵³

Different types of strategic restructuring are commonly viewed on a spectrum, as mentioned in the previous section. Two of the most prominent spectrums are called “The Partnership Matrix” (Figure 2.2) and “The Collaboration Continuum” (Table 2.2), developed by La Piana and McLaughlin respectively. Ultimately, they demonstrate the same concepts, yet in different ways. Both have levels of integration on the horizontal axis, but the Partnership Matrix has effort on the vertical axis and the Collaboration Continuum has the area of impact on the vertical axis. Integration refers to the degree to which the partnering organizations combine their operations. Although not written on the table, McLaughlin differentiates between mergers and alliances by stating that mergers involve all four areas of impact (“CORE”, or Corporate, Operations, Responsibility, Economics), while alliances only involve the bottom three (“ORE”, or Operations, Responsibility, Economics).⁵⁴ This is reflected similarly in the Partnership Matrix, where mergers have the highest integration and effort, whereas strategic alliances can have medium integration and effort.

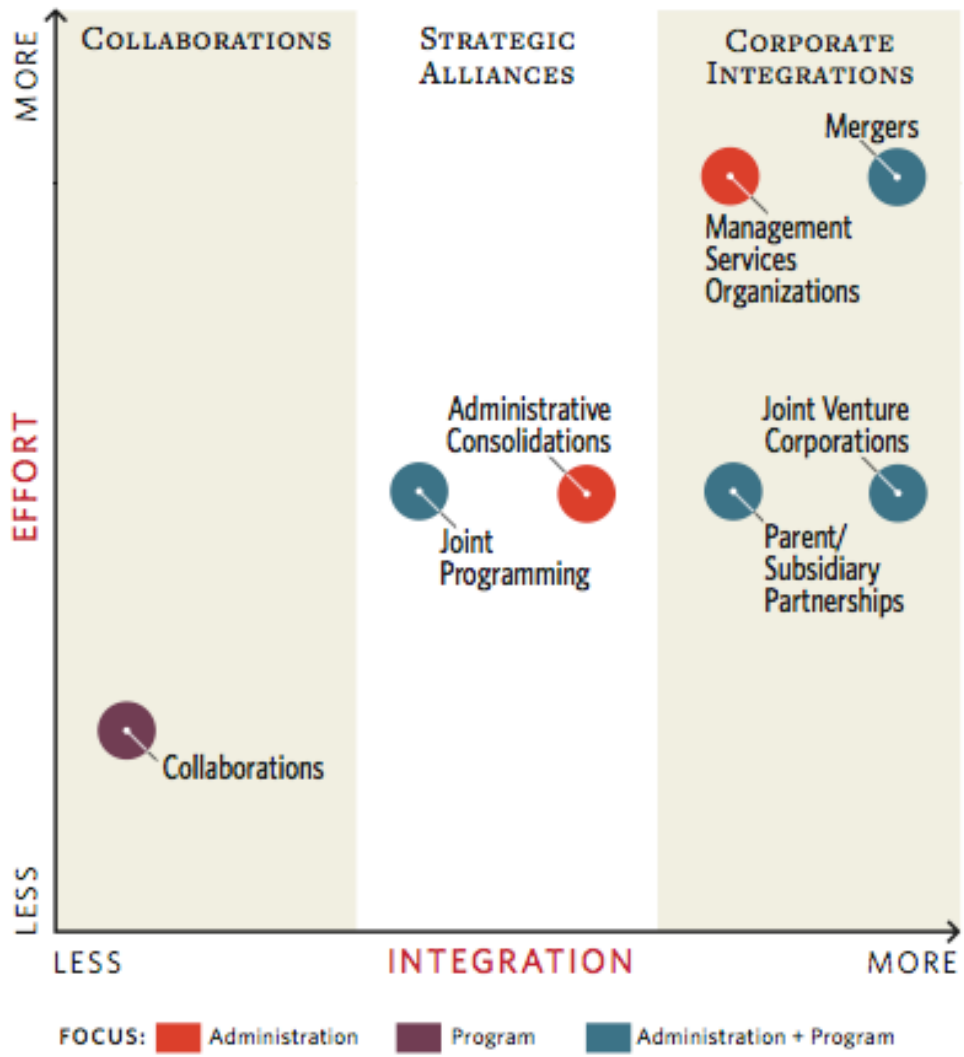
⁵³ Golensky & DeRuiter, 2002: 172

⁵⁴ McLaughlin, 1998: 55.

FIGURE 2.2







LA PIANA'S PARTNERSHIP MATRIX

The Partnership Matrix



Source: David La Piana, Merging Wisely

TABLE 2.3
CONTINUUM OF COLLABORATION

<i>Later (area of impact)</i>	Collaboration		Mergers
Corporate	Shared Material		Single Signatory
Operations	Communication		Shared Standards
Responsibility	Standardized Services		Integrated Services
Economics	Same Vendor		Single Contract
<i>Sooner (area of impact)</i>	<i>Low Integration</i>		<i>High Integration</i>

Source: Thomas A. McLaughlin *Nonprofit Mergers and Alliances: A Strategic Planning Guide*. New York: Wiley, 1998: 55

Two of the dominant theoretical frameworks in strategic restructuring are political economy and organizational change. Golensky and DeRuiter explain that the political economy model focuses on the impact of the relationship between both the external and internal politics and economics of the organization on change. In times of change, these forces alter the stability of the organization because “shifts in the relationships with internal and external groups that control access to needed resources (Wernet, 1994).”⁵⁵

Basinger and Peterson view the merger of two arts organizations through the lens of the organizational change framework, in which they say there is general agreement among scholars on the importance of “open communication and full participation”.⁵⁶ They claim that the board of directors is an important group, but they

⁵⁵ Golensky & DeRuiter , 171

should not be a substitute for the presence of other key stakeholders, such as clients or employees throughout the merger process.⁵⁷ They also state that “financial stability and organizational efficiency” are sometimes of greater importance to those planning the merger than making the process transparent. This can be detrimental to the performance of the resulting merged organization.⁵⁸

Mergers are not successful when there is at least one distressed party involved, and if the merger is reactive, as opposed to proactive.⁵⁹ Organizations should not ask whether or not to pursue mergers and acquisitions (M&A) but “how do we best fulfill our organization’s mission and strategy to be effective, and is M&A a better option than other alternatives (organic growth through competition, partnerships, etc.)?”⁶⁰

An example of a useful case study is the Arizona Children’s Association, who completed a successful merger by seeking to better fulfill their mission. While they did not have the resources or capacity to organically grow the organization, they did after acquiring one other organization, and five more afterwards.⁶¹ It is a good idea to make an acquisition if the organization wants to expand geographically, because organizations need the reputation that comes with a local brand⁶² Market characteristics that encourage strategic M&A: “market fragmentation”, or a “large number of

⁵⁶ Nancy W. Basinger, Jessica R. Peterson. 2008. Where you stand depends on where you sit: Participation and reactions to change. *Nonprofit Management and Leadership* 19, no. 2: 245

⁵⁷ Basinger & Peterson, 243

⁵⁸ Basinger & Peterson, 243

⁵⁹ Alex Cortez, William Foster, and Katie S. Millway. 2009. Nonprofit Mergers and Acquisitions: More Than a Tool for Tough Times. *The Bridgespan Group*. <http://www.bridgespan.org/Nonprofit-M-and-A.aspx>

⁶⁰ Cortez, Foster & Milway, 5.

⁶¹ Cortez, Foster & Milway, 5.

⁶² Cortez, Foster & Milway, 5.

nonprofits with many small players”; “real competitive pressure”, or “variable performance that is measurable” and “impersonal funding sources”; and “barriers to organic growth”, or “saturated market”, “asset-intensive”, “importance of local brand”, and “highly regulated”⁶³

Communication

It is generally agreed upon that communication is a key factor in the success of a nonprofit merger or other form of strategic restructuring. Involving, or at least communicating the steps of the merger process to all stakeholders in the process, including executives, board members, staff and patrons increases the likelihood that they will be supportive of the merger.⁶⁴ As with McLaughlin’s view of strategic positioning, Basinger and Peterson note that exclusion of staff and other main stakeholders during a period of organizational change can be harmful to the organization. (Bryson, 2004, Nutt, 2002).⁶⁵

Reasons for Mergers and Strategic Alliances

Nonprofit mergers occur for a variety of reasons. These include “growth and expansion”, especially when there are few resources and the external environment is unstable.⁶⁶ Other reasons to merge are “access to more reliable funding”, pressure from

⁶³ Cortez, Foster & Milway

⁶⁴ Basinger & Peterson, “Where You Stand Depends on Where You Sit”, p. 253

⁶⁵ Ibid.

⁶⁶ Pietroburgo and Wernet, *Nonprofit Mergers: Assessing the Motivations and Means*, p. 24

fundings, the prospect of new resources, “increased operational efficiency, building of political strength, expanding of market share, and enhancement of service quality”.⁶⁷

“[N]onprofits form alliances to achieve desired ends that are usually quite clearly specified....A group of nonprofits may also form an alliance in order to reduce risk when entering a new market....Finally, an alliance can be used to develop a comprehensive scope of services that is hard for anyone outside of the alliance to compete with.”⁶⁸ The benefits of mergers and other forms of strategic restructuring are a “combination of economic incentives and moral imperative”.⁶⁹

Difference Between Nonprofit and For-profit Mergers

Although they stem from similar concepts, nonprofit and for-profit mergers have key aspects that set them apart from one another. First and foremost, no financial incentives or benefits are given to the board members or top executives in nonprofit mergers as they are in for-profits.⁷⁰ ⁷¹ For-profits tend to include mergers and acquisitions in their strategic planning, and although nonprofits are starting to use it as such, they normally use it as a reactive tactic. There are currently no equivalent to investment bankers in the nonprofit sector, who manage the merger process in for-

⁶⁷ Ibid.

⁶⁸ LaPiana, 52

⁶⁹ Golensky & DeRuiter, 170

⁷⁰ Stephanie Strom. 2007. Charities Trying Mergers To Improve Bottom Line. *New York Times* (11/11) : 24.

⁷¹ William Foster, Katie S. Milway, and Alex Cortez. 2009. Bringing Mergers and Acquisitions to the Nonprofit Mainstream. *Philanthropy*: 15.

profits.⁷² Decision making in for-profit mergers generally involves very few people, while nonprofit mergers need to include many different stakeholders.⁷³ While for-profit corporations have a great supply of resources to conduct mergers, nonprofits do not.⁷⁴

Board of Directors

The purpose and activities of the board are highly disputed. Despite their difference in opinions yet similar to collaboration theorists, board theorists tend to view this subject area from a multi-theoretical perspective, which allows them to integrate portions of each theory into their own framework.⁷⁵ Miller-Millesen argues that when looked at in concert, three theories (agency, resource dependence and institutional) in the field of organizational theory are a compelling framework that describes board behavior.⁷⁶ She also demonstrates through previous literature that there is no “one-size-fits-all” approach to board behavior; it is highly contextual (Ostrower & Stone, 2001; Ryan, 1999; Taylor, Chait & Holland, 1996).⁷⁷ This relates to Sowa’s theory that nonprofit collaboration cannot be considered within only one context and is essentially the same as contingency theory.

Contingency theory is an organic model, which states that depending on the internal and external aspects of the organization, boards will look and perform in

⁷² Ibid, 17.

⁷³ Strom, 24.

⁷⁴ Foster, Milway & Cortez., 15.

⁷⁵ Miller-Millesen, Judith. 2003. Understanding the Behavior of Nonprofit Boards of Directors: A Theory-Based Approach. *Nonprofit and Voluntary Sector Quarterly* 32, no. 4 (12) : 523.

⁷⁶ Miller-Millesen, 524.

⁷⁷ Miller-Millesen, 523.

different ways. Those who are able to adapt as these aspects change will be more effective than those who fail to adapt.⁷⁸ Contextual factors that Bradshaw gives from a variety of studies are “external environment”, “organizational age”, and “strategy and structure”.⁷⁹ Brown and Iverson explain contingency theory using four types of strategies from Miles and Snow, and how the boards participate in the strategic planning process: defenders, who are in a “set service area” and do not want to leave that area, prospectors, who always look for new ways to expand into new areas, analyzers, who act as defenders in stable environments and prospectors in unstable environments, and reactors, who only change their strategies based on current environmental pressures.⁸⁰

Miller-Millesen promotes Fligstein & Freeland’s view on agency theory, which “stresses the importance of separating ownership from control.”⁸¹ In this theoretical approach, the board of directors is seen as the “ultimate form of corporate control, charged with the responsibility to monitor and reward chief executives while assuring that corporate activity reflects shareholder expectations.”⁸²

Resource dependence theory also applies to the board, in addition to collaboration. It focuses on the duty of the board to provide resources for the organization and shows that “power and influence have the capacity to bias resource

⁷⁸ Patricia Bradshaw. 2009. A Contingency Approach to Nonprofit Governance. *Nonprofit Management and Leadership* 20, no. 1 (Fall) : 63.

⁷⁹ Ibid.

⁸⁰ William A Brown, Joel O. Iverson. 2004. Exploring Strategy and Board Structure in Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly* 33, no. 3 (September 01) : 377-400.

⁸¹ Miller-Millesen, 522

⁸² Miller-Millesen, 531

allocation decisions.”⁸³ The resources that boards provide can be political or intellectual, which is similar to the network theory because of the connections the board has to external sources.⁸⁴

From the network perspective, the more connections and the broader the network the board members have, the more collaborative the organization will be.⁸⁵ An effective board member has strong connections to the community in which the organization serves.⁸⁶

Institutional theory helps to understand “why many nonprofit boards of directors engage in similar activities, codify like practices, and develop comparable structures. Institutional theory focuses analytic attention on the interpretation of the norms, values, and beliefs that legitimate governance behaviors.”⁸⁷

Boards are unique in nonprofit organizations because they are made up of volunteers.⁸⁸ Because they have ethical obligations, board members are inherently invested in the missions of the organizations they serve (Smith 1995).⁸⁹ Unlike in for-profit corporations, board members in nonprofits do not own shares of the organization or benefit from dividends. Because they are volunteers, they do not have a financial

⁸³ Miller-Millesen, 522

⁸⁴ Brown & Iverson, 381

⁸⁵ Guo & Acar, “Understanding Collaboration in Nonprofit Organizations, p.348

⁸⁶ Paul Vandeventer. 2011. “Increasing Civic Reach.” *Stanford Social Innovation Review* 10, no. 1 (Spring 2011): 25-26.

⁸⁷ Miller-Millesen, 523

⁸⁸ Bradley E. Wright, Judith L. Millesen. 2008. Nonprofit Board Role Ambiguity. *The American Review of Public Administration* 38, no. 3 (September 01) : 322.

⁸⁹ Wright & Millesen, 323

stake in the nonprofits' activities, unlike staff members⁹⁰. However, they do have fiduciary responsibilities: to oversee the financials of the organization.⁹¹ The main job of the board is to guide the organization by developing effective strategy and a strong vision, which the staff then implement.⁹² A study that Brown and Iverson cited by Siciliano shows that organizations with boards that have separate committees dedicated to strategic planning have superior performance to those without.⁹³ Another vital purpose of the board is to “monitor environmental trends that might affect organizational performance (Duca, 1996)” and looking out for the well being of the clientele.⁹⁴

Board's Concerns in the Strategic Restructuring Process

According to McLaughlin, the concerns that board members may have throughout the strategic restructuring process include maintaining the mission, services, and identity or culture of their organization.⁹⁵ They will not necessarily take into account the bigger picture of the social issue at hand and will most likely focus on the needs of their organization and clients.⁹⁶ He also argues that board members will want to ensure that the strategic restructuring process is done in the “right way”.⁹⁷

⁹⁰ McLaughlin, 1998: 47

⁹¹ Wright & Millesen, 323

⁹² Ibid, 323

⁹³ Brown & Iverson, 381

⁹⁴ Ibid, 381

⁹⁵ McLaughlin, 1998: 45-48

⁹⁶ Ibid, 46.

Methods

Golensky and DeRuiter used interview based, qualitative methods to conduct their study on the process of mergers.⁹⁸ They focused on one metropolitan area and interviewed four main stakeholders from each of three cases who were involved in the organization before, during or after the merger process to gain a variety of perspectives.⁹⁹ The organizations studied were well established within their communities.¹⁰⁰ They also examined materials related to the merger, including newspaper articles and financial documents.¹⁰¹ As opposed to Golensky and DeRuiter's focus solely on mergers, Campbell conducted a qualitative study on four cases of differing types of strategic restructuring.¹⁰²

Summary

Through this preliminary research on strategy, collaboration, mergers, strategic alliances, boards of directors, and both nonprofits and for-profits, a few key points stand out. First of all, because of the complex nature of mergers and strategic alliances, it is clear that numerous theories must be employed in studying these topics, or else the

⁹⁷ Ibid, 48

⁹⁸ Golensky & DeRuiter, 174

⁹⁹ Ibid, 172, 174

¹⁰⁰ Ibid, 172

¹⁰¹ Ibid, 174

¹⁰² David A. Campbell, 2008. Getting to yes...or no: Nonprofit Decision Making and Interorganizational Restructuring. *Nonprofit Management and Leadership* 19, no. 2: 221-241.

study would be missing certain perspectives. The most prominent theories are resource dependence, network, organizational change and contingency, because they address the strategic needs of nonprofit organizations and acknowledge their variable nature. These types of inter-organizational relationships exist on a continuum and they are not static; they can and do change over time.

Gap in Research

The literature delves into the process of for-profit and nonprofit mergers, what challenges each sector faces and provides some suggestions for how those challenges can be avoided. It also describes the purpose and functions of the nonprofit board of directors. The research has not fully addressed the role that boards play in nonprofit mergers and strategic restructuring, and how their participation can be leveraged to make for a smoother process before, during and after mergers. Finally, there is no research of this nature which studies the nonprofit environment in Colorado Springs. However, there is a study by Kohm, La Piana and Gowdy with a brief overview of a merger in this case study.¹⁰³

This paper will explore the perspectives of numerous stakeholders on board participation in mergers and strategic restructuring, while building upon the aforementioned professional and scholarly research. The research question asks: What impact do board members have on the merger and strategic alliance process? Do they encourage or inhibit organizational change? In order to fully understand the board's role, the strategic restructuring process itself must first be understood.

¹⁰³ Kohm, La Piana & Gowdy, "Strategic Restructuring: Findings from a Study of Integrations and Alliances Among Nonprofit Social Service and Cultural Organizations in the United States", 2000: 46-48.

CHAPTER III

RESEARCH METHODOLOGY

In order to study the role of boards of directors in nonprofit mergers and strategic alliances in depth, qualitative methods were used. The methods were modeled after Golensky and DeRuiter's 2002 study on nonprofit mergers.¹ This made it possible to gain insight into the personal experiences of current and former board members, staff members and executives within the organizations that were studied. Interviews were designed to understand the process of strategic restructuring from varying individual perspectives of different parties who were involved.

Population

In this study, a convenience and snowball sample was used, meaning that subjects were chosen because of their proximity and contacts for interviewees were obtained through referrals. Three cases of nonprofit mergers and strategic alliances were chosen in Colorado Springs: AspenPointe, the Myron Stratton Consortium, and the YMCA and USO merger. AspenPointe is a healthcare organization which provides services in "mental health, substance abuse, employment & career development, education, housing, jail diversion/reintegration, telephonic wellness and provider

¹ Martha Golensky, Gerald L. DeRuiter. 2002. The Urge to Merge: A Multiple-Case Study. *Nonprofit Management and Leadership* 13, no. 2: 169-186.

network services.”² The Myron Stratton Consortium is a group of four organizations aiming to help poor, single mothers achieve self-sufficiency.³ The YMCA “focuses on changing lives for the better through programs accessible to people from all financial backgrounds that are designed to nurture the potential of children and teens, improve our community’s health and well-being and provide people a place to connect.”⁴ Although these organizations have unrelated missions and focuses, they demonstrated many similar practices and ideologies in regards to collaboration. These organizations were chosen because they are well established and highly regarded in Colorado Springs and the state of Colorado. They are actively engaged in community outreach and were enthusiastic about taking part in student research on the nonprofit sector.

The interviewees included two board members, six executives, and three staff members. They were important to speak with because they either had an influential role in or were highly involved in the strategic restructuring process or in the organization itself. All interviews were conducted in person, with the exception of one phone interview, and ranged from a half hour to slightly over one hour. The names and positions of each interviewee will be kept anonymous.

Process

This study used a semi-structured interviewing process. The following questions in Table 3.1 were written as a template for interviews, but were not all used in each interview. Questions were asked based on their relevance to the interviewee. Some of

² www.aspenpointe.org

³ Interview with Myron Stratton Foundation

⁴ <http://www.ppymca.org/>

the questions relating to the board came from a study titled “Nonprofit Board Role Ambiguity: Investigating its Prevalence, Antecedence and Consequences” by Wright and Millesen.⁵ Another question was used in reference to La Piana’s book, *Play to Win*.⁶ Finally, the questions were reviewed and modified with the help of Christiano Sosa, an experienced professional in nonprofit mergers.

The questions were divided into three categories: process, governance and follow-up. Additional questions were asked regarding the future of the organizations and other ideas when appropriate (See Table 3.1).

⁵ Bradley E., Wright, Judith L. Millesen. 2008. Nonprofit Board Role Ambiguity. *The American Review of Public Administration* 38, no. 3 (September 01) : 322.

⁶ David La Piana, Michaela Hayes. 2005. *Play To Win :The Nonprofit Guide to Competitive Strategy*. San Francisco: Jossey-Bass.

TABLE 3.1
INTERVIEW QUESTIONS

Topic	Questions
PROCESS	<ul style="list-style-type: none"> ▪ Describe the merger/strategic alliance process in your organization. (Who was involved, how long did it take, what were the reasons for it) ▪ When was due diligence done? ▪ Was the merger/strategic alliance a positive strategic move? Why or why not? ▪ What was the most difficult aspect of the merger/strategic alliance? ▪ What was successful about the merger/strategic alliance? ▪ How much was your organization able to stay true to its original mission throughout the merger/strategic alliance?⁷ ▪ Has your mission changed since the merger/strategic alliance? ▪ What were you most concerned about in the merger/strategic alliance process? ▪ What types of programs or events did you do to bring the groups from the two organizations together (including staff, boards, all stakeholders)? ▪ What sacrifices did you or your organization make in this merger/strategic alliance? ▪ What resources did you use to guide you through the merger/strategic alliance process?
GOVERNANCE	<ul style="list-style-type: none"> ▪ Did you or members of the board have experience in mergers/strategic alliances before this one?⁸ ▪ Were board members trained in how to conduct mergers/strategic alliances?⁹ ▪ How well do you think board members, staff and executives communicated during the merger/strategic alliance process? ▪ How much control did you feel the board members had over the merger/strategic alliance process? ▪ How engaged were board members in this process?¹⁰

⁷ La Piana, David, and Michaela Hayes. 2005. *Play to win :The nonprofit guide to competitive strategy*. San Francisco: Jossey-Bass.

⁸ Wright, Bradley E., Judith L. Millesen. 2008. Nonprofit Board Role Ambiguity. *The American Review of Public Administration* 38, no. 3 (September 01) : 322-338.

⁹ Ibid.

¹⁰ Ibid.

	<ul style="list-style-type: none"> ▪ How was the new board structure determined?
FOLLOW-UP	<ul style="list-style-type: none"> ▪ Do you know of any members of the board or staff of your organization who may be willing to speak about the merger/strategic alliance?

Coding

After the interviews were conducted, they were transcribed and coded, based on the most discussed categories. Subcategories were created to organize the data further (See Table 3.2). Portions of the interviews were then organized by each category and subcategory, then analyzed by comparing and contrasting the interview responses and looking for themes across the three cases.

TABLE 3.2
CODING CATEGORIES AND SUBCATEGORIES

Category	Subcategory
Board	Reaction to merger/alliance Functions Structure/Composition Familiarity with M&A Decision Making Committees Terms Involvement
Merger/Alliance Process	Physical Move Challenges Successes Culture Comparison to For-Profits Purpose Financial Issues Concerns Due Diligence Sacrifices Resources Outside Support Integration
Strategy	-----
Communication	With Board Within the organizations
Staff	Reaction to merger/alliance
Executive Leadership	-----
Collaboration	-----
Organizational History	-----
Mission	-----
Community	Skepticism Ownership Involvement
Clientele	Understanding their needs
Post Merger Process	-----

Considerations

The organizations studied were chosen because they are located in Colorado Springs, and because they are well established in the community. However, it is important to keep in mind that they do not offer the same services. Furthermore, their levels of strategic restructuring are not the same; Myron Stratton and Partners in Housing is an example of strategic alliances, while the YMCA and USO case is a combination of merger and strategic alliance, and AspenPointe participates in both strategic alliances and mergers. Despite structural differences, these organizations all highly value collaboration and have strong ties to their communities.

Due to time constraints and availability, interviews were conducted with three to five individuals from each organization. While this sample size is small, it allowed for more in-depth interviews.

CHAPTER IV

RESULTS AND DISCUSSION

While the organizations in these three cases have different missions and forms of strategic restructuring, they have two main values in common: collaboration and community involvement. Because they are all based in Colorado Springs, the communities they serve overlap. One of the most prominent communities in Colorado Springs is military members and their families. Whether or not they explicitly mentioned this community in the interviews, each of these organizations serves the military in some shape or form. Studying organizations located in the same city matters because they share certain commonalities such as the local government and compete for the same sources of funding (i.e. from foundations). The board plays a key role in mediating the relationships between the organizations and other groups in the community—businesses, other nonprofits, the government, individual donors, etc.

To begin this section, the organizational history and diverse forms of corporate and board structure will be given. The processes for the form of strategic restructuring, merger or strategic alliance will follow. Then, these topics will be compared and contrasted, with the understanding that each organization operates under slightly

different circumstances. The literature points to the complex nature of strategic restructuring and the board's roles, which is demonstrated in these cases as well.¹

Organizational Structure and History

In order to fully understand the mergers and strategic alliances in which these organizations participate, it is vital to know how and in what context they operate. Each organization has a strong, unique identity in the Colorado Springs community, so the following descriptions will shed light on their importance in this city.

AspenPointe

AspenPointe addresses mental health issues in a variety of ways today, but when it was established in 1875, it only had two ways of addressing those issues: “traditional therapy [and] counseling” and “managing...psychotropic drugs”, according to a current executive there. It has evolved greatly from the two original organizations, Family Counseling Center of Colorado Springs and Pikes Peak Mental Health Clinic, which ultimately merged in 1970. In 1991, they realized that with the two services they had made them “heavily dependent on federal and state funding”, the same executive said. The organization realized that if it were to rely solely on this funding, it would suffer the effects of an economic decline and the quality of their services decline, as well. That year, they began to build new businesses, to create a more financially sustainable nonprofit organization and to provide more services for their clients.

¹ David A. Campbell, 2008. Getting to Yes...or No: Nonprofit Decision Making and Interorganizational Restructuring. *Nonprofit Management and Leadership* 19, no. 2: 221-241; Bradley E Wright., Judith L. Millesen. 2008. Nonprofit Board Role Ambiguity. *The American Review of Public Administration* 38, no. 3 (September 01) : 322-338.,

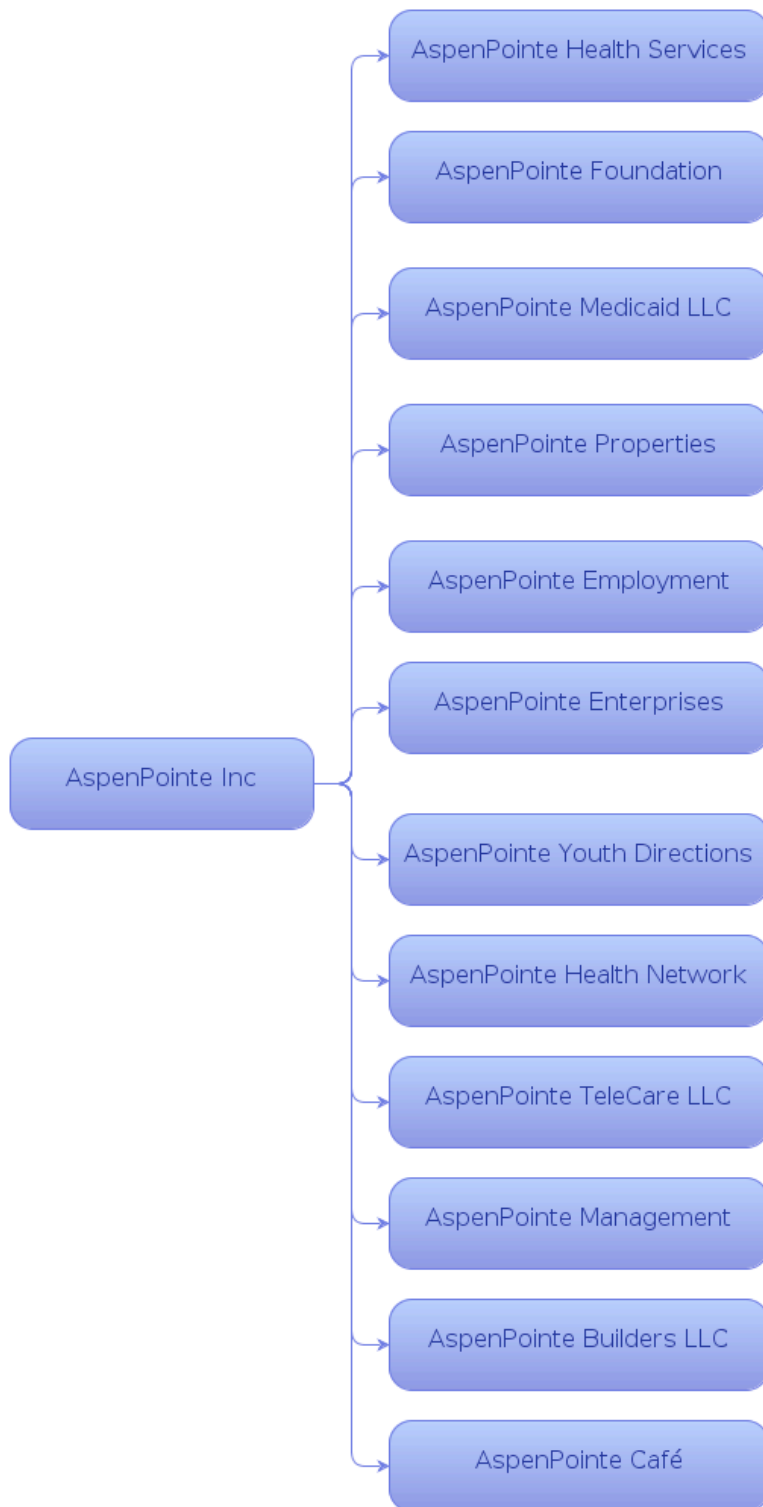
In 2005, Pikes Peak Behavioral Health Group (PPBHG) was established as the umbrella organizations and each of the twelve organizations had unrelated names. Today it has twelve nonprofit, for-profit and social enterprise organizations under its umbrella, although AspenPointe itself is a nonprofit organization. Two and a half years ago, PPBHG began a rebranding initiative, in which they changed the name to AspenPointe and reworked the names of each organization under the umbrella to include AspenPointe, in order to have a “common thread”, despite their differences in service (see Figure 4.1). The services offered by AspenPointe’s organizations include “mental health, substance abuse, career development, education, housing, jail diversion, and telephonic-based wellness.”² In this process, they developed a new mission that explained what each of their organizations aims for: “Empowering clients. Enriching lives. Embracing purpose.”³

² “Questions and Answers: Branding Details”, *AspenPointe Inc*, 2011, available from <http://www.aspenpointe.org/About+Us/Questions+Answers-313.html>.

³ “About Us”, *AspenPointe Inc*, 2011, available from <http://www.aspenpointe.org/About+Us/Pivot+Point-315.html>.

FIGURE 4.1

ASPENPOINTE ORGANIZATIONAL CHART



Source: "Questions and Answers: Branding Details", *AspenPointe Inc* , 2011, available from <http://www.aspenpointe.org/About+Us/Questions+Answers-313.html>.

Board Structure

AspenPointe has two boards: the general board of directors for the umbrella organization of AspenPointe and the AspenPointe Health Services board. The Health Services was formed because laws require that accredited health organizations to have boards. The other 11 organizations under the umbrella of AspenPointe are not required to have boards. Instead, they have a board of “managing directors”, described by an executive as a group of staff members from each company. The general AspenPointe board is required to meet every month, while the managing boards are only required to meet once a year. The managing board updates the committees of the general board, which the committees bring to the monthly general board meetings. An executive from AspenPointe explained that they meet so frequently because they are the “third largest nonprofit” in Colorado Springs, serving 25,000 people. He said, “We have all of these companies. It takes meeting every month, just because we are so complicated, so we have to meet every month.”

An executive described the general board’s role as setting the “visionary direction of the organization.” From there, “the staff then take that vision, and...turn it into operation.” The board also directs the CEO of the organization, who directs the staff. A board and staff member listed all of the committees in the board, which are the executive, finance, audit, legislation, membership, engagement and development, marketing and communication, and strategic planning committees. The legislative committee deals with mental health issues being discussed on a national, state and local level. The engagement and development committee focuses on fundraising, while the marketing and communication committee does some fundraising, but mostly branding

and promoting the organization's name. A board member said that there are an equal number of staff members as board members on each committee.

The general board used to be a “do gooder board”, but now AspenPointe intentionally seeks out people who “are smarter than we are”, as put by the executive. The 22 board members are bankers, presidents of companies, educators, and other people who bring a variety of skills and experiences to the organization.

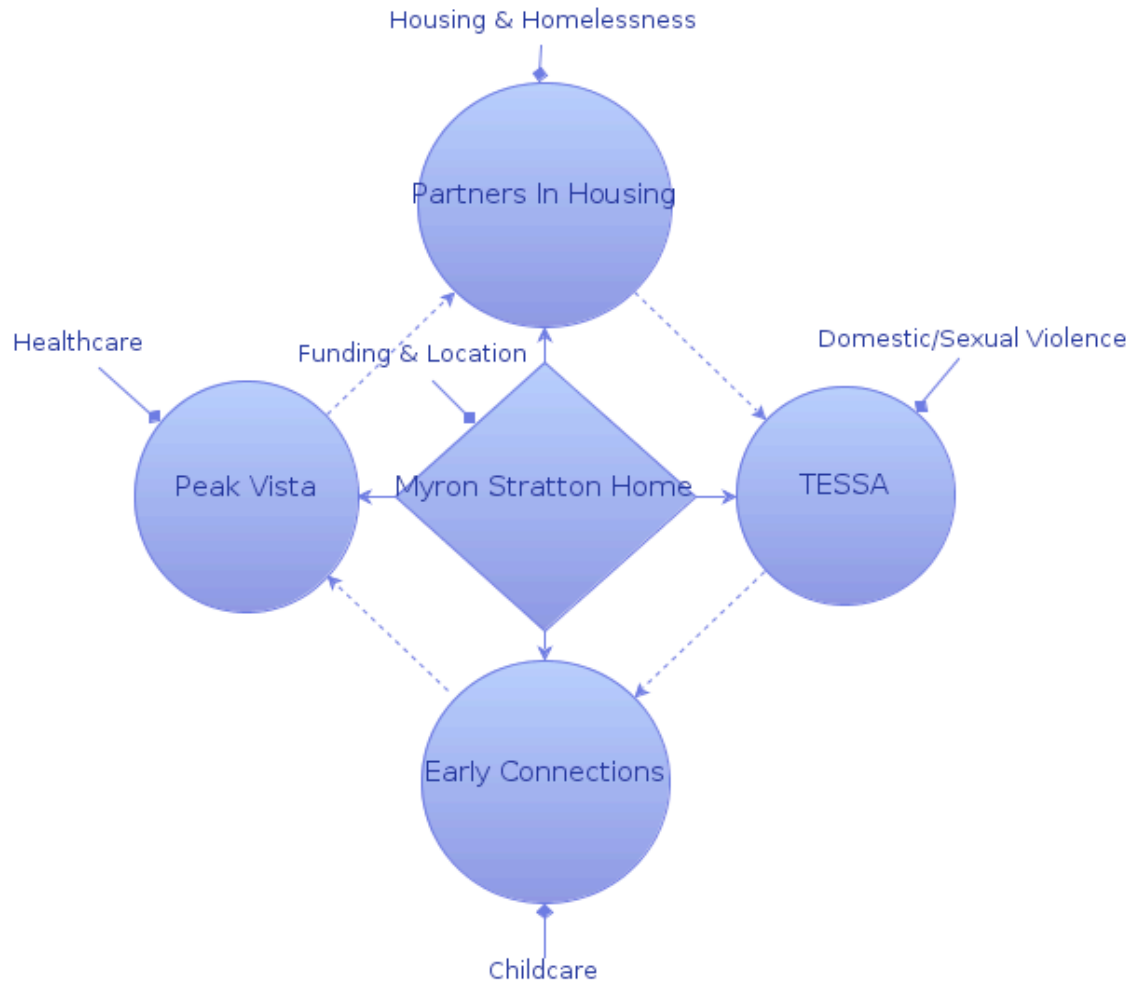
Myron Stratton Consortium

The Myron Stratton Consortium is a group of four separate social service agencies along with the Myron Stratton Home, all located on the Myron Stratton campus (See Figure 4.2). The consortium is made up of Partners in Housing (PIH), which provides housing and services to help homeless families with children achieve self-sufficiency; Peak Vista (PV), which provides “primary medical and behavioral health care to persons of all ages”; TESSA, which provides services for victims of domestic violence and sexual assault; and Early Connections, which provides childcare for low-income families.⁴ Together, they aim to address the needs of single, homeless mothers and their children.

The Myron Stratton Home is a foundation, which serves people in poverty, a majority of whom are women and seniors, a former executive from PIH said. For over 90 years, they have provided housing for seniors on their campus.⁵ They also formerly housed a center for mentally ill children.

⁴ <http://www.partnersinhousing.org/>; <http://peakvista.org/locations/family-health-centers/family-health-center-at-myron-stratton-logan-center>; <http://www.tessacs.org/>; <http://www.earlyconnections.org> ; <http://www.myronstratton.org/independent.html>

FIGURE 4.2
MYRON STRATTON CONSORTIUM ORGANIZATIONAL CHART



Source: Interview with former executive at PIH

Partners In Housing

This study will focus on the perspective of PIH in the strategic alliance process, because of time and convenience in doing the research. Three of the four interviews were conducted with members of the PIH staff and board. The fourth interview was conducted with an executive at the Myron Stratton Home.

PIH is and has been a collaborative agency for many years. Before moving to the Myron Stratton campus, it was located in Downtown Colorado Springs. It began as a program of Catholic Charities and spun off as a formal entity in 1991, stated a board and staff member. PIH owns 70 units of two year transitional housing for homeless people, including their 12 units on the Myron Stratton campus, according to a staff member at PIH. They also own 109 units of affordable housing, some of which is co-owned with two other organizations, Greccio Housing and Rocky Mountain Community Land Trust. A former executive said that PIH also provides a variety of services to their “partners” (clients), including budget counseling and “a series of life skills and education courses involving subject matter that leads to self-sufficiency...good health,...parenting skills...,[and] financial management and literacy.”

Board Structure

The PIH board, slightly smaller than AspenPointe’s board, is comprised of 17 members. A current board member described the process of selecting new members: they are nominated by board members or others from the organization, and chosen because of their involvement in the community, with nonprofits, or their interest in the mission of PIH. A staff member mentioned that because PIH has “federal certification to receive federal home funds,” there is a requirement to have representation on the board from communities they serve. They have two partners and many representatives from “other nonprofits who serve the low-income community or the homeless community” on the board, said the same staff member. Each board member can serve a maximum of two three-year terms, for a total of six years. Their terms must be

separated by at least one year, “to have some transition and turnover and get new, fresh perspective”... “with a good amount of time to have longstanding supporters on the board,” as told by a staff member.

The board committees consist of executive, property, development, fundraising, finance, and program. They are currently working on creating a new committee for board development, to recruit new members and diversify the board. There are also staff members and community members who are not on the board, yet who serve on each committee. Unlike AspenPointe’s board and most other nonprofit boards, a former staff member said that the PIH board “looks to the executive director to make the decisions,” and then approve those decisions.

Each organization within the Myron Stratton Consortium has their own separate board and from the interview data it does not appear that all five of these boards ever met or that they meet at all collectively today. However, a former executive described that the executive directors from each organization in the consortium meet on a quarterly basis, to discuss “fundraising, administrative costs, transportation issues”, etc, which is somewhat similar to the managing directors of the 11 organizations from AspenPointe meeting. In addition, there are staff-level, operational meetings to discuss the “nuts and bolts”, smaller scale issues.

YMCA and USO

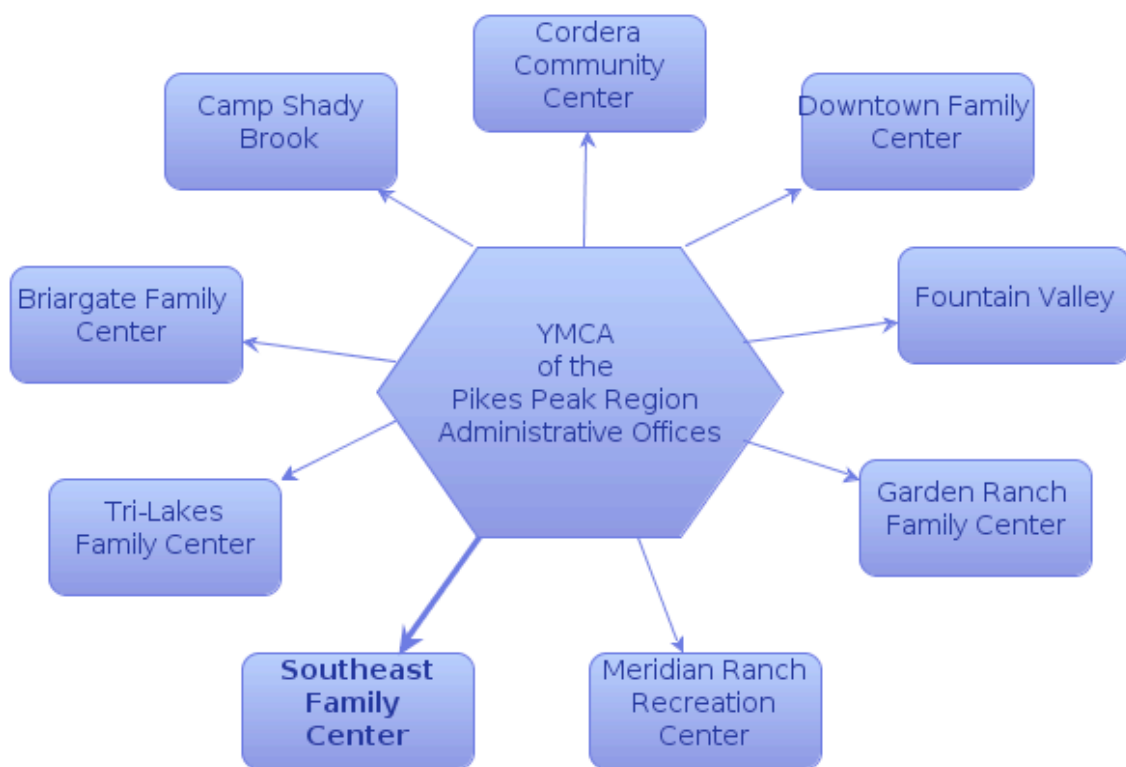
The Pikes Peak Young Men’s Christian Association (PPYMCA) is and the United Service Organization of the Pikes Peak Region (USO) was connected to larger organizations, the YMCA of the US and the World USO. The PPYMCA serves the general communities of Colorado Springs through programs and services for every age

group in its branches located throughout the city. The YMCA of the US offers support to the PPYMCA.⁶ The USO was a relatively small organization, with only three people working in the main office, and which received little to no funding from the larger organization.⁷ The World USO's mission, according to a former YMCA executive, is to serve "single military individuals overseas or when they're traveling," while the local USO's mission was to serve "military families at home." In the late 1960s, when the PPYMCA merged with the YWCA and adopted the programs of the Girl's Club of America and Big Brothers, the USO developed a relationship with the PPYMCA, too, according to a former executive at the PPYMCA. Although they remained separate entities, the USO and PPYMCA affiliated. The USO Council, or board, was still its "governing body" but the PPYMCA's board was the "parent body".

⁶ Ted Rinebarger, "One View of the Future", Proposal to the USO Board, 1998, 2.

⁷ Ibid, 1.

FIGURE 4.3
YMCA ORGANIZATIONAL CHART



Source: www.ppymca.org

Board Structure

The Pikes Peak YMCA has a board structure that is similar to AspenPointe's board structure. Here it is described by a former executive:

Our corporate structure is that we have one corporate board of directors. That's the legal body that's held accountable for the organization. They hire and each branch has an advisory board. That advisory board is accountable to the corporate board. So downtown has an advisory board, Briargate has an advisory board, Camp Shady Brook has an advisory board, southeast has an advisory board. The USO council became the advisory board of the southeast Y. That's the volunteer structure. Boards establish policy, and advisory boards implement, work with the staff to implement those policies in a manner that meets the specific needs of the clientele they're serving. If there's changes to policy, the advisory board

recommend that to the metro board who approves it and it goes back to the advisory board for implementation.

While the question regarding how many and which committees each organization's board has was not listed in the original interview questions, it emerged in interviews with Partners in Housing and AspenPointe, but not PPYMCA. One of the former executives of the PPYMCA did mention that whenever the YMCA builds a new facility, they have a building committee to oversee the process.

Merger Process

The case of AspenPointe was a general study of the mergers and acquisitions the large organization has accomplished or considered in the past 20 years. An executive at AspenPointe differentiated between the mergers and acquisitions they have made: he stated that in a merger, they have “the financial resources to absorb” another company into their organization, and the greatest challenge is for the smaller company having to change its culture. With acquisitions, he used an example of the construction company AspenPointe acquired, and said that they do not need to merge cultures because as a mental health organization, they do not know want to change the culture of a company that specializes in a completely different function. This applies to the apartment complexes they bought, as well. He said that they have to be “run like a business”, so they can transfer the profits from those businesses to programs and services that will benefit their mental health clients.

The case of the YMCA and USO would fall under the category of ‘merger’, by AspenPointe’s definition. The two organizations had a longstanding relationship, yet they still had to deal with merging cultures, according to a former executive of the

PPYMCA. They essentially merged because they had a common vision: to serve military families in Colorado Springs. The USO had the connections and expertise to serve military families, while the PPYMCA had the funds and opportunity to build a facility in which they could have a ‘home base’ for their military families, which was the Southeast YMCA. Not only would the PPYMCA provide a place for military families living in the Southeast, but they also extended their services meant for military families in their other branches (see Figure 4.3).

Challenges and Risks

Multiple interviewees at AspenPointe emphasized their commitment to taking calculated risks, which is part of their strategy in being innovative. A board member listed their strategic goals as being “community relevance, innovation and integration.” They minimize risks by understanding the environment they are operating in, whether it is nonprofit, for-profit, or social enterprise. The PPYMCA and USO had similar views to the risks that they took, because board members and executives said that they took a calculated risk, because they knew the people who were involved in the merger well. A former executive said, “They weren’t empire builders. They weren’t taking advantage.” These parties had a level of trust in each other that overcame their fears of the merger not working out as they expected. Another risk they took was financial, as a board member of the USO described: “Maybe we couldn’t raise the money to build that facility, maybe it wouldn’t be first class, maybe we wouldn’t have advanced our ability to meet the service requirements on time.”

Communication and Community Involvement

The individuals involved in the merger processes viewed communication in different manners. One board member at the USO stated, “[communication during the merger process] is like a poker game. You don’t want to give away your hand too quickly. Did we tell the national USO that we were going to quit? Well, not until we were ready.” On the other hand, an executive at the PPYMCA said, “I felt that the communication was exceptional, and it was extremely transparent through the whole process.” Another former executive at the PPYMCA spoke about the difficulties of communicating with the World USO, because the local USO had such a bad relationship with them, up until the end. The relationship was further aggravated when the World USO claimed that they deserved a set of funds that the local USO had earned for military families in the Colorado Springs community. Ultimately, the local USO was able to keep the funds, because they agreed to put the money in an endowment, solely meant for programs to serve military families. There were positive instances of communication, though, when they spoke with different groups of people in the community. The sentiment of community members was skeptical at first, but as they became more involved in the process, they realized that the addition of the USO and the building of the Southeast YMCA would be beneficial to them and their families. A former executive at the PPYMCA noted that some of the most important meetings they had were with military members and families, because this project was designed with them in mind. Another former executive was impressed by the children’s reception of the plan for the Southeast YMCA at a local elementary school. The children enthusiastically agreed to participate in a fundraising campaign, in which each child

who could give at least one penny would have their name inscribed in the building of the new Southeast YMCA.

AspenPointe values communication highly as well, although they did not speak about it specifically in relation to their mergers. One of their board's committees, 'communication and marketing', is meant to connect AspenPointe staff and board members with the community, so that the community understands what the organization does and how they are working to eliminate stigmas of mental health in the community. A board member spoke about the numerous opportunities she has to interact with staff and community members. She said that periodically, they have board meetings at different AspenPointe sites to see the facilities and meet the people there.

Strategic Alliance Process

The strategic alliance process took just as much time and effort as the merger processes, yet not as much integration. The vision for the Myron Stratton consortium was to form "a logical group of partner agencies that not only would serve their own missions but could be interconnected in each others' [missions]," stated a former executive at PIH. This is why a healthcare provider, childcare center, center for the prevention of domestic violence and another center to help homeless families with children were the perfect match. These agencies can easily refer clients to one another, and since they are located on the same campus, they are only a short walk or drive away from each other.

Physical Move

From the point of view of PIH's staff and board, this move was extremely advantageous. They would have larger and more individual offices on a beautiful campus (a staff member recounted that they were formerly located above a cigar bar in Downtown Colorado Springs, where unpleasant smells would waft up to their offices constantly). However nice this was for the staff, it also provided more privacy for the partners, when they came in for appointments. They also would have more space to put clothing, toy and furniture donations in a large basement of the new building at Myron Stratton.

Challenges

The Myron Stratton Consortium was not without obstacles. Some of the largest were getting Early Connections to come to the campus and to get the public bus to stop on the campus. When the rest of the consortium was planning to move, Early Connections was not financially capable of making the move. It took a few years, but with successful fundraising efforts from all of the other agencies in the consortium, Early Connections was finally able to fit in as the last piece of the puzzle. The transportation issue is addressed in the next section.

Local Government

The City of Colorado Springs played a key role in helping all these organizations navigate funding and other challenges throughout the processes of strategic restructuring. PIH's main reservation for moving onto the Myron Stratton Campus was the concern that the partners and clients of the other agencies would not be

able to easily access the campus via public transportation. There was a public bus that stopped right near the campus, but it let people off only on the opposite side of the highway. After many talks, an executive from PIH was able to convince the Colorado Springs Transit Authority to re-route the bus to pick up and drop off passengers on the campus. For AspenPointe, they were able to transfer a program called “County Detox” that they could no longer financially support to the county jail. In the case of the YMCA and USO merging, the city saw that there was a need for a community center in the southeast area of Colorado Springs, so they agreed to subsidize the building in exchange for the YMCA maintaining it.

Board

The interviews highlighted the multiplicity of roles the board members played in the strategic alliance and merger processes. The one consistency across all of the boards was interest in the mission and a high level of involvement. The board members are invested in the missions of their organizations. The board members did have authority to make decisions, as a former executive of PIH said, “Each agency had to get board approval in order to do this [move to Myron Stratton], because it was a major move.”

The level of board participation throughout the strategic restructuring process was extremely high. In preparation for the move to the Myron Stratton campus, each separate board met more and more frequently at the campus. At AspenPointe, the general board meets every month and directs the strategy, so if there are considerations of a merger, they would be the first to decide whether the organization should or should not participate in it (which has not happened in the past two years, according to a board member). A former board member of the USO spoke about the great amount of time

they spent arguing with the World USO to keep the funds they had raised for the Southeast YMCA and more specifically, for military families. He also spoke about the long hours the USO board spent debating the decision to merge with the PPYMCA and how they wanted to define their mission.

Discussion

After speaking with staff members, executives and board members at the Myron Stratton Home and Partners in Housing, it has become apparent that the Myron Stratton Consortium is almost an exact model of “collective impact”, which is outlined in the literature review. It contains each component of this model, including a “common agenda”, “shared measurement systems”, “mutually reinforcing activities”, “continuous communication”, and a “backbone support organization”. The common agenda is their commitment to serving poor, single mothers with children. They have not completely developed their shared measurement systems, but each agency reports their outcomes every quarter to the Myron Stratton Home. Their activities are not the same as one another, yet they complement each other. Finally, the Myron Stratton Home serves as the backbone support organization, because it provides the facilities, funds the organizational activities, and is an external entity that monitors the activities of the agencies within the consortium.

Another explanation for the Myron Stratton alliance is, “nonprofits form alliances to achieve desired ends that are usually quite clearly specified....A group of nonprofits may also form an alliance in order to reduce risk when entering a new market....Finally, an alliance can be used to develop a comprehensive scope of services

that is hard for anyone outside of the alliance to compete with.”⁸ A former executive at PIH argued that he had never seen a consortium like that one at Myron Stratton.

Board Roles

The breadth of roles that each of these boards play matches the literature’s perspective that the board’s roles are ambiguous. The boards’ compositions and roles vary highly across the organizations, which points to the contingency theory, which says that the context of the type of strategy each organization uses as well as the environmental context will determine the board’s role.⁹

The one aspect of board involvement that is constant across all three cases is the interest in fulfilling the organizations’ missions. This appears to be the first priority in the concerns of the board members. Since the mission directly relates to the vision, which is used to create the strategy of the organization, it is not a surprise that one of the main functions of the board would be determining strategy.¹⁰

Previous Relationships

Previous relationships or experiences of collaboration among the organizations fueled the success of these particular collaborative ventures. In the case of the YMCA and the USO, they had worked together to the extent that the merger was simply the legal proclamation of a relationship they had already established. A former executive of

⁸ David La Piana and Michaela Hayes. 2005. *Play to Win :The Nonprofit Guide to Competitive Strategy*. San Francisco: Jossey-Bass: 52.

⁹ Patricia Bradshaw. 2009. A Contingency Approach to Nonprofit Governance. *Nonprofit Management and Leadership* 20, no. 1 (Fall) : 63.

¹⁰ Thomas A. McLaughlin. *Nonprofit Mergers and Alliances: A Strategic Planning Guide*. New York: Wiley, 1998. 45-48

the YMCA described the initial affiliation of the USO with the YMCA as “a half step in” which led to the “full step in” of the legal merger. He said that during the period of time that they were affiliated but not merged, they it seemed as if they were already one organization, because they shared so many resources and ideas. This is evidence showing that strategic alliances can be a path to mergers, and do not need to be viewed on separate terms from mergers.¹¹

The organizations within the Myron Stratton Consortium were connected with each other before they moved onto the Myron Stratton campus. First of all, the Myron Stratton Home had given grants to all of the four agencies in the consortium. TESSA and PIH already had overlapping clients, because a large portion of their client base is single mothers who have survived domestic violence. This example of pre-restructuring collaboration shows that a future venture is more likely to be successful in this case.¹²

Promoting the New Partnership

Demonstrating the success for the partnership to the public remains a key goal for each of the organizations. AspenPointe has made this a top priority in recent years through their recent rebranding campaign, and from their perspective, it has proven to be a success. Their website and annual report have their new name written all over it, with explanations as to why they made the changes.

¹¹ Fernsler, Terrence. 1999. Coming to Terms with the "M" Word. *Nonprofit World* 17, no. 6 (Nov) : 52-53.

¹² Jessica E. Sowa. 2009. The Collaboration Decision in Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly* 38, no. 6 (December 01) : 1005.

Leadership

From speaking with a variety of the stakeholders in these strategic alliance and merger processes, it became clear that one main contribution to their successes was the excellent executive leadership, which includes both the executive staff and board members. These leaders were strong, confident, and well-respected by others within their organizations, which was important because they all faced skepticism and other challenges that they needed to overcome. One of the staff members at PIH commented, “I think we’ve really had just superb leadership during that transition and our executive director and our director of operations.”

Passion of the participants

A final way that proves the organizations’ commitment to the Colorado Springs community is by the fact that every person contacted was more than willing to speak about these issues. They all care about educating others in the community about the activities and changes occurring in their organizations. This speaks to their passion for their organizations and for the merger and strategic alliance processes that required a great amount of their time and effort. Each of the interviewees gave credit to other parties involved in the transition.

Conclusion

The board has proven to be a supportive body for the organizations studied by providing key resources and skills that the nonprofits may not otherwise have, having beneficial relationships with other stakeholders in the organizations, and being deeply invested in the missions and visions of their organizations. They may not have the same

concerns as those of other stakeholders (i.e. staff or clients) but they are willing to contribute their hard work to help their organizations achieve their goals. They have a broader outlook on the organizations' purposes, which can be a valuable contribution when the rest of the stakeholders are focusing on the smaller details. When staff and board members have a good rapport, this can bridge the gap between the broad vision and specific activities, to create greater productivity overall. Board members also provide useful networks for the organizations they serve.

CHAPTER V

CONCLUSION

This thesis took an in-depth look at the role board members play in nonprofit mergers and strategic alliances, as demonstrated in three cases. Although the organizations' missions, structures, boards and types of partnerships differ greatly among AspenPointe, the Myron Stratton Consortium and the YMCA/USO, several key themes emerged from the research about how these nonprofits have collaborated successfully.

Implications of the Study

As noted in Chapter II, one of the prerequisites for nonprofits to build a successful merger or strategic alliance is having previous collaboration experiences, preferably with the same organizations with which they plan to merge or ally.¹ Previous collaboration will help them to understand the time and effort it will take for them to work alongside another organization. Collaborating with the same organization they plan to merge or ally with will also help them to form the personal relationships that will become a foundation for the organizational relationships to follow. This will provide a trial and error time period to prevent clashes in working styles, organizational culture, or goals for the partnership. In other words, the organizations will learn how they can work together most effectively.

¹ Jessica E. Sowa. 2009. The Collaboration Decision in Nonprofit Organizations. *Nonprofit and Voluntary Sector Quarterly* 38, no. 6 (December 01) : 1005.

In order to moderate the complex process of a merger or a strategic alliance, two ideas must be well understood by the organizations: moderation and balance. These two ideas go hand-in-hand. When one aspect of restructuring is kept in moderation, it is being balanced with another aspect. The three cases studied have demonstrated proper application of these ideas throughout each step of their strategic restructuring processes.

First and foremost, they have used moderation and balance through their board members. Each organization has shown how to use their board members to their advantage, but not to overuse them. This is for the board members' well-being as well as the organizations' well-being. The board members of the organizations studied showed unwavering commitment to the organizations' missions, and this is mirrored in the literature on boards.² Because the list of responsibilities of the board can seem never-ending, it is vital to create boundaries and limits to what the board and the board members do. The PIH board does this by requiring that board members take at least one year off between their two possible terms of three years on the board, which allows for "turnover" and "fresh perspectives", according to a PIH staff member. The AspenPointe board and YMCA boards guide the vision of the organizations, but do not go beyond their roles by implementing those visions—this is the job of the staff members.

Simultaneously, the board *should* be used for the resources its members provide, as stated in resource dependence theory.³ These resources may be knowledge of business strategies, as exhibited in all three of the cases, connections to the community or similar nonprofits, or access to another resource that the nonprofit would not

² McLaughlin, "Nonprofit Mergers and Alliances: A Strategic Planning Guide". p. 45-48

³ Miller-Millesen, Judith. 2003. Understanding the Behavior of Nonprofit Boards of Directors: A Theory-Based Approach. *Nonprofit and Voluntary Sector Quarterly* 32, no. 4 (12) : 522.

otherwise have. In defining the board's role within the organization overall, the following four ideas should apply to all boards: building strategy, creating and shaping vision, defining and reinforcing mission, and finally, communication of these concepts with community. In the strategic planning process, as McLaughlin emphasizes, numerous stakeholders should be included—community, staff and clientele.⁴ This creates a balance of opinion, because each stakeholder has different motives for being involved in the process.

Nonprofits engaging in strategic restructuring should not be dependent on the for-profit model of corporate restructuring, because of the stark differences between the models.⁵ However, previous cases of successful and unsuccessful corporate restructuring and the corresponding theory can be good examples for nonprofits to learn from. For example, for-profit corporations use restructuring in their strategy and Cisco, a corporation which has mastered this type of strategy even have one senior vice president whose job is devoted to “M&A, strategic alliances, and technology incubation.”⁶ Nonprofits can adopt a similar idea not by appointing a staff member to a similar ‘strategic restructuring vice president’ role, but by giving this role to a board member or a committee. Those board members should fully understand the similarities and differences between restructuring in the private and nonprofit sector.

⁴ Thomas A. McLaughlin *Nonprofit Strategic Positioning: Decide Where to Be, Plan What to Do*. Hoboken, NJ: J. Wiley & Sons, 2006: 15

⁵ Foster, William, Katie S. Milway, and Alex Cortez. 2009. Bringing Mergers and Acquisitions to the Nonprofit Mainstream. *Philanthropy*: 15

⁶ Dyer, Jeffrey H., Prashant Kale, and Harbir Singh. 2004. When to Ally & When to Acquire. (cover story). *Harvard business review* 82, no. 7 (Jul) : 115.

There is currently an insufficient amount of resources in the strategic restructuring field.⁷ There should be more affordable resources for nonprofits who decide to go through or simply want to learn more about the strategic restructuring process. The nonprofits that were studied struggled enough in gaining funding for their collaborative ventures, without leftover funds to purchase external resources to guide them through the processes. Other nonprofits need not pay exorbitant fees for strategic restructuring resources; they can create their own or take advantage of free resources on the internet, such as The Foundation Center.⁸ PIH has taken the first step in providing free resources for other local nonprofits by allowing any nonprofit to reserve meeting space it has in the “Colorado House.”⁹ Along with meeting spaces, they could provide written resources (such as case studies of their experiences) for other nonprofits attempting to go through mergers and strategic alliances.

The results from this study provide a variety of implications for nonprofit mergers and strategic alliances. First of all, it appears that the organizations studied are utilizing the board members as resources. The board members take their positions on the board seriously and devote much of their time to the nonprofits they serve, despite the lack of pay. It is clear that their motivations to serve come from the missions and visions of those organizations. In the future, nonprofits should take advantage of the immense amount of business expertise they have on their boards, with caution to how much they are relying on for-profit knowledge to inform the nonprofit setting.

⁷ Foster, Milway & Cortez, 15.

⁸ “Nonprofit Collaboration Resources”, *Foundation Center*. 2011. Available through <http://foundationcenter.org/gainknowledge/collaboration/>

⁹ “Meeting Space”, *Colorado House and Resource Center*. 2008. Available through <http://www.colorado-house.org/meeting.htm>

Further Research

Although the results from this thesis are informative for the nonprofit sector, it must be understood that they are drawn from a limited setting of three particular cases—AspenPointe’s many mergers and acquisitions, the Myron Stratton Consortium, and the merger of the PPYMCA and former USO of the Pikes Peak Region. Therefore, the implications from these cases may not apply to other strategic restructuring cases, especially those that occur outside of the Colorado Springs community. The nonprofit environment in rural, suburban and other urban areas may operate differently than it does in this Western city.

There are many ways in which future research can build upon this study. It would be effective to conduct this study on a greater scale, not only in terms of the number of organizations, but the number of people within the organizations. It would be useful to interview other types of stakeholders, such as clientele and community members. Although they are typically not as instrumental in the merger and strategic alliance processes, their views could contribute valuable information or opinions unknown to those who are immersed in the organizational activities. These stakeholders may be difficult to gain access to because of confidentiality purposes or because they are no longer affiliated with the organizations.

It would be useful to study the strategic alliance process in more depth, specifically the idea of collective impact. The interaction and differences among each of the boards and their strategic planning styles in this complex style of relationship could provide insight into how the board’s role can be leveraged further.

Another role that would be interesting to look at is that of the funders. They may not be directly involved in the strategic planning process, but it is crucial to understand how their financial influence impacts strategic decisions that the board and executives make.

It would also be useful to supplement this qualitative analysis with a quantitative section, which could look at the social impact of the merger and strategic alliances since they were implemented. It would be interesting to look at what types of synergies are produced from such collaborative relationships.

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