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# MERGE TO ADVANCE MISSION

**By merging their small supportive housing organization with a larger one, the leaders of one Chicago-area nonprofit were able to grow their organization's brand...but it was still hard to let go.**

Today, many small nonprofit organizations operate in a very difficult funding environment. Fundraising efforts alone will not be enough to achieve more mission. Instead, their boards and chief executives may need to adopt a different business strategy, such as a merger or partnership.

In November 2005, I concluded an 18-year career as the first and only president and CEO of Lakefront Supportive Housing in Chicago when the board of directors signed an agreement to merge our small organization with Mercy Housing, Inc., a giant in the affordable housing industry. The board and I made this decision in order to grow our nationally recognized brand of supportive housing for homeless adults and families. Lakefront spent 18 months evaluating the merger strategy, seeking a partner, and closing on the merger. Today, Lakefront Supportive Housing no longer exists; it is Mercy Housing Lakefront, the Midwest regional office of Mercy Housing, Inc.

The Lakefront board and I learned a number of lessons about mergers during the process that may benefit other small organizations contemplating such a strategy.

## 1 + 1 CAN EQUAL 3

In addition to seeking a partner that had a similar mission and values, Lakefront was deliberate about choosing an organization with programs that complemented, rather than matched, our own. We sought a merger that would provide our existing and future clients with services Lakefront on its own could not provide. In other words, we sought a merger that would result in 1 + 1 = 3. Ultimately, we chose Mercy for the following reasons.

- Mercy had multifamily and elderly housing and health care services that our tenants needed.
- With a relatively small number of housing units (1,000), Lakefront had costly overhead. Mercy, with 15,000 units at the time, could more easily absorb back-office expenses.
- Mercy had no formal supportive housing business unit; Lakefront instantaneously became Mercy's knowledge base and brand for supportive housing, which Mercy could expand into its 16 markets across the country.
- Mercy had relationships with federal representatives across the country that could be leveraged to help improve policies regarding the homeless. Lakefront had a presence only in Chicago.

## MERGERS TAKE TIME AND MONEY

While 18 months may seem an inordinately long time, it allowed Lakefront and Mercy to complete the process to the benefit of both organizations. The Lakefront board of directors took a strategic and intentional approach to the process and did not rush into decisions. Mercy Housing required time to complete its due diligence on Lakefront. Both organizations needed time to raise funds to complete the merger. The costs of every merger are different, but ours was particularly expensive because of the real estate assets involved and the severance costs for staff members who lost their positions. It took several months for Lakefront and Mercy to secure the necessary funding.

## INVOLVE AND COMMUNICATE WITH ALL STAKEHOLDERS

Lakefront launched the merger process by creating a joint planning committee composed of senior staff and board officers that shepherded the organization through the entire process. The board chair and I co-chaired the committee.

I cannot overstate the importance of the chair in facilitating the merger, particularly in terms of convincing the board that the process was thorough, unequivocal, and sound. This required a significant commitment of time in addition to her ongoing board chair responsibilities. Together, she and I reported on the progress of the merger process at every board meeting. In addition, she provided the board with detailed, written reports about the outcomes of steps taken between meetings.

At the staff level, my senior team discussed each step of the process and its implications. This team ensured that the organization was considering the correct issues and analyzing our choices. We did not inform the full staff about the merger until we signed a memorandum of understanding. Once that decision was announced, I regularly briefed the staff about the progress of the merger.

As president, I also communicated with donors and other stakeholders about the decisions we had reached and why the proposed merger was the best decision in terms of our mission.

## EXPECT FEAR AND RESISTANCE TO CHANGE

Mergers bring about many unknowns, not the least of which is the future role of the chief executive of the smaller merger partner. Chief executives often oppose a merger because they fear losing their jobs or transitioning to a new role, while board members are loath to contemplate a merger because they feel loyalty to the chief executive and staff who have spent years building the organization.

I've learned that chief executives can ease these fears by making an honest and early appraisal of where they want to be at the end of the merger process. The board of directors then can advocate for what is fair and correct for the chief executive, whether she decides to depart or remain with the merged entity. I decided before our merger process began to give up my leadership role or any future employment opportunity with the new organization should a merger occur. This decision made the entire process easier for everyone, especially the board of directors.

The board, too, will have concerns about its future role. Will some or all of the current board members be incorporated into an existing or new board of directors? If so, what will be the new board's responsibilities? Mercy was clear that Lakefront's board of directors would become a local advisory board for the Midwest office and allowed input to critical budget, program, and staffing decisions. Many of Lakefront's board members chose to continue their service. Those who stepped off the board left with no ill will.

Staff worried about lay-offs, their salaries and benefits, and the new organization: Who was Mercy Housing and how did it do business? We prepared employees for the handful of lay-offs that occurred by providing severance packages and plenty of notice. We also gave staff the opportunity to meet and talk with Mercy Housing leaders.

## EXPECT TO HAVE HEIGHTENED PERSONAL FEELINGS

Since the merger occurred, many people have asked me how I could walk away from the organization that I nurtured from its infancy to its eventual position as the Midwest's largest provider of supportive housing for the homeless. My job and my personal life had been intertwined from the very beginning.

The main reason for me and the board members — as it should be with every chief executive and board member — was the mission. Lakefront, on its own, simply could not do as much for current or future tenants as it could united with Mercy Housing, and, frankly, Mercy could not accomplish as much in terms of its mission without Lakefront. To have refused to grow and bring our wonderful housing and services to other homeless families and adults simply because the board and I loved the organization too much to give it up would have been the height of selfishness and contrary to our mission. Our adage for seeking the merger partner was 1 + 1 = 3. And that's what we got.