



Project Management

Merger Due Diligence Project

Parents as Teachers of Lake County (PATLC) is a not-for-profit organization dedicated to inspire, educate and support families with children from pregnancy through kindergarten entry to be their child's first most important teacher. PATLC provides research-based home visiting services throughout Lake County and also partners with independent PAT programs to collaborate in fundraising, marketing, program development and professional development activities in order to better serve over 1,000 families and children annually throughout the Northwest Indiana area.

Dunebrook is a not-for-profit organization that advocates for children and provides positive family support and education. Dunebrook works collaboratively with many agencies to provide home visits, classes on parenting and education about child abuse prevention. On average, Dunebrook serves over 1,400 children and families per year within La Porte, Porter, Starke, Newton, Jasper, and Pulaski Counties in Indiana.

Challenge:

In 2009, Parents As Teachers of Lake County, Inc. and Dunebrook already had a working partnership to serve children and families throughout Northwest Indiana. At that time, the Board of Directors of Dunebrook and of PATLC expressed interest in exploring the possibility of formally joining the two organizations via merging, but had little time, resources or manpower internally to conduct the due diligence process necessary to make an informed decision and, ultimately, achieve a successful outcome. At that point, the organizations contracted with Success Trek to organize and implement an initial exploration.

Execution:

To facilitate the potential merger process, Success Trek created a 2-phase solution, each with detailed assessments, statements of purpose, goals, action steps and final outcomes.

Phase One – Identify and Codify Necessary Steps Prior to Merger

In order to determine whether or not exploring a merger was worth the time and effort, Success Trek worked with the Executive Directors and the Board of Directors of both organizations to collect preliminary information through:

1. Strengths and Challenges exercises for the Executive Directors and Staff for both organizations.

2. Research and organization of all financial and legal materials necessary to build multiple scenarios for merging these two organizations together and to determine an estimate for CPA and legal services if the organizations chose to move forward.
3. A facilitated “brainstorming session” with both Executive Directors regarding the possible new vision and mission if both organizations joined forces.
4. A presentation at a joint Board Meeting with Dunebrook and PATLC Board Members to present a summary of our findings regarding staff strengths and challenges and to discuss the possible ways of formally joining together. Our goal was to provide the organizations with the information needed to make a decision to move forward or not with the exploration of formally combining the organizations into one.

Based upon the information, cost/benefit analysis and facilitation provided by Success Trek, both organizations felt it was in their best interest to move forward in the process of exploring a possible merger, and to continue with Success Trek as the facilitator of the due diligence process.

Phase Two – Facilitate Merger Due Diligence Process

1. Educate and Create Buy-In for Multiple Stakeholders

- Success Trek assisted the organizations in creating a Statement Of Common Understanding and recommended they form four joint committees consisting of staff and board members:
 - Governance
 - Financial and Legal
 - Programming/Communications/PR
 - Human Resources

2. Over a 5-month period, Success Trek partnered with each committee to address their realm of responsibility throughout the merger. To help the committees effectively manage their multiple tasks and responsibilities, Success Trek utilized its “Essential Questions – Informed Solutions – Detailed Action Steps – Assigned Accountability” (EIDA) project management facilitation tool.

- Brief Summary of Governance Committee EIDA process:
 - **E** – How will governance change? What will the new board look like? How would it address term limits, select officers, advisory board members and decide upon a new committee structure?
 - **I** – Based upon our experience in Organizational Development and Change Management combined with the need to address the organizations’ greatest concerns, Success Trek guided the committee to identify its own set of solutions regarding blended boards which included expanding its officer base, determining incremental board terms, creating joint subcommittees and alternating board positions. Success Trek’s facilitation enabled the board to re-envision its Governance model based upon mutual consent and inclusivity.

- **D** – Success Trek outlined the action steps needed to finalize board structure and guided the Executive Directors as they drafted the newly-merged organization’s Articles of Incorporation and by-laws.
- **A** – Governance Committee with assistance from Success Trek, Executive Directors and Board Officers did what? were assigned accountability.?
- Brief Summary of Financial work within Finance and Legal Committee EIDA process:
 - **E** – How will merger affect assets of both organizations? How could departmental and salary budgets be merged efficiently and effectively? Is each organization fiscally healthy?
 - **I** – Success Trek guided the committee to a set of solutions that centered around reviewing and changing the pro forma to reflect merged programmatic, departmental and salary budgets; determining hard and soft costs for each organization to assess financial viability; and re-evaluating employee base requirements for insurance, benefits and taxes to assess overall financial risk.
 - **D** – Guided the Executive Directors and staff during the creation of a revised organizational chart and suggested labor budget, revise pro forma income statement and balance sheet, and assess outstanding debts and recent audits for both organizations.
 - **A** - Finance Committee with assistance from Success Trek, Executive Directors, staff, and Board Officers were assigned accountability.
- Brief Summary of Legal work within Finance and Legal Committee EIDA process:
 - **E** – What steps are needed to dissolve a 501c3 if both organizations merge? How will they legally structure the merger? What would be the status of the properties occupied/controlled by each organization? How would legal obligations change as employee base changed?
 - **I** – Success Trek’s set of recommendations centered on researching and presenting the legal necessities of such a merger. We provided both boards with an outline for creating a “plan of merger” to be adopted by the full boards, and then educated the organizations regarding the process of filing the plan and Articles of Merger with the Secretary of State.
 - **D** – Consult legal representative to assist in finalizing merger. Success Trek provided both organizations with an “Expectations of Law Firm” document outlining the documentation the organizations will be expected to prepare, as well as the number and type of Articles they will be expected to decide upon.
 - **A** – Finance and Legal Committee with assistance from Success Trek, Executive Directors, Staff, and Board Officers were assigned accountability.
- Brief Summary of Programming/Communications/PR Committee EIDA process:

- **E** – What will be the new mission, name and logo/brand of the merged organization? How to manage donor confusion through rebranding? How will the merger affect existing and future grants as well as endowments? Will the merger increase or decrease fundraising capabilities and/or staffing needs? Programmatically, how will the service area and services offered change?
 - **I** – Success Trek provided tools for involving stakeholders (such as donors and foundations) within the process, ways to revitalize messaging through comprehensive list of marketing channels, options for merged fundraising and reporting systems and tools for streamlining the process of merging programs and differing programmatic philosophies.
 - **D** – Finalize new mission, vision, development plan and marketing plan. Determine goals and plan for implementation for new programmatic offerings for their constituency.
 - **A** – Programming/Communications/ PR Committee with assistance from Success Trek, Executive Directors, Staff, and Board Officers were assigned accountability.
- Brief Summary of Human Resources EIDA process:
 - **E** – What will the new organizational chart look like? How will the merger affect compensation and benefits strategy? What responsibilities will staff members hold within the new structure? How should the merger be explained to employees? Will there be added burdens for employees such as more travel or more health care cost? How to manage staff morale and a positive organizational culture throughout the disruption of the merger?
 - **I** – Success Trek’s recommendations were based upon our expertise in Organizational Development and Change Management, providing models for integrating compensation and benefits; strengths-based realignment strategies for employee roles and responsibilities; processes for blending policies and procedures; and steps for smoothly merging two separate organizational cultures to create a positive and productive work environment.
 - **D** – Finalize organizational chart, wages, roles and responsibilities (job descriptions), and develop a plan for communicating and managing the merger process within their employee base.
 - **A** – Human Resources with assistance from Success Trek, Executive Directors, Staff and Board Officers were assigned accountability.

Results

The Success Trek team combined their Project Management, Organizational Development and Change Management expertise to create a custom Merger Facilitation Process for Dunebrook and PATLC. We took an extremely complex and multi-leveled process and transformed it into an organized, manageable and critical learning exercise for each organization.

Through this Facilitation Process, Dunebrook and PATLC came away with a thorough cost/benefit analysis of how the merger would impact their organization's governance model, financial viability, legal liability, public relations demands, fundraising needs and human resources policies and procedures. Success Trek's due diligence process provided Dunebrook and PATLC with the data they needed to make the critical and complex decision that a merger would not be in their best interests at that time.