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Fundraising Data Analysis and Stakeholder Communications:

Considerations Prior to a Nonprofit Merger

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Abstract

Determining the relevant criteria needed to evaluate the integrity of existing fundraising practices and stakeholder sentiment during the due diligence procedures prior to a nonprofit merger is the primary purpose of this paper. Much has been written about negotiating and executing nonprofit mergers, however minimal analysis of relevant information pertaining to historical fundraising and communication efforts to avert a decline in stakeholder support during and after the merger has been published. Hank Rosso’s Constituency Model (concentric circles) will be the primary framework referenced—the contention being that core stakeholders are most invested in the mission of the organization. The experience of three recent mergers at the Center for Human Development (CHD), a broad spectrum social and human service organization in Massachusetts, will be the primary source of analytical data. Interviews with merger negotiators and references to scholarly papers and books pertaining to nonprofit mergers will support research. Key findings will reveal that more in-depth analysis of historical fundraising data, practices and involvement with stakeholders would ensure greater fundraising success and stakeholder loyalty during and after a nonprofit merger.
Introduction

Purpose

The purpose of this paper is to recommend the inclusion of substantial analysis of historical philanthropic fundraising data, practices and systematic communications with stakeholders during the due diligence process prior to a nonprofit merger to ensure a smooth transition of records and stakeholder loyalty after the merger. This information will be important for board members and senior staff involved with merger negotiations and charged with managing fiscal budgets, internal/external communications, and philanthropic revenue generation during the due diligence process of the merger, and after. It will be beneficial to evaluate the fundraising practices and stakeholders as assets of the organization for their past and future contributions to the sustainability of the newly formed organization.

Initial research within the nonprofit sector, combined with statistics from three mergers at the Center for Human Development (CHD), will substantiate that very little attention is given to the historical fundraising records and practices of the merging organizations. The availability of more explicit information on this topic will be helpful to those charged with fundraising and stakeholder communication transitions in merging organizations. Additionally, those involved with due diligence negotiations should have information in-hand that will support engaging key stakeholders (rather than keeping the merger overly confidential) to prevent a decline in financial support and disgruntled philanthropic investors once the merger is announced. Maintaining and/or improving fundraising success and stakeholder loyalty is an important aspect of the anticipated success of a nonprofit merger. Investigation into this topic has revealed that
insufficient consideration is given to these matters thus the ‘after merger’ results are often disappointing and sets the fundraising and communications staff/volunteers up for a daunting task if they receive deficient donor database conversion files and inadequate resources to convert, cultivate and steward the new and existing stakeholders and their corresponding records.

Reason for chosen topic

The intention of this research is to disclose the importance, thus the inclusion, of information pertaining to philanthropy, fundraising and stakeholder interests into the merger due diligence process and to contribute to the literature available on this topic. The review of current nonprofit merger literature and the analysis of three mergers at CHD in the past four years (from the perspective of the CHD Director of Development), will be examined. Additionally, the conversion of three inbound databases into one holistic database, simultaneously with the integration of the incoming fundraising cultures, will reveal that the merger due diligence process is inadequate if it does not consider fundraising and stakeholder communication issues. By referencing specific course and program edification related to mission, governance, leadership, philanthropy, fundraising and stakeholder/donor relations, an approach for the justification will be confirmed. The significance of this information should be important to the fundraising and communication staff, or anyone involved with the sound convergence of the nonprofit organizations involved with the merger. With more pertinent information available prior to the merger staff, stakeholders and consultants will be better prepared for management of time, budgets, communication releases, and arrangements of additional fiscal resources needed to complete a sound amalgamation.
Literature Review

As stated previously, since the rise in nonprofits mergers began in the 1980’s, there are significant gaps in nonprofit merger literature pertaining specifically to the value of examining fundraising data and stakeholder communications more carefully in the merger process. This paper intends to summarize the historical context of nonprofit merger due diligence procedures as they relate to this topic and to expand the current information available to nonprofit professionals whose responsibilities include philanthropic, fundraising and stakeholder management. Current literature substantiates that most of what is written about nonprofit mergers either omits the topic of fundraising data analysis and stakeholder communications or only briefly or sporadically makes mention of it, usually making recommendations to follow after the merger takes place. It is the contention of this research to suggest specific tasks that should be part of the pre-merger checklist.

Some of the most current and thorough books on the subject of nonprofit mergers include David La Piana’s *The Nonprofit Mergers Workbook* (2000), Dan McCormick’s *Nonprofit mergers: The Power of Successful Partnerships*, (2001), and Thomas McLaughlin’s *Nonprofit Mergers and Alliances*, (2010). Each of these authors offers a comprehensive and detailed systematic process about how to execute a merger, yet each makes just occasional slight references to the issues related to fundraising, stakeholder and communications as part of the procedures. Nonetheless, it is in other articles and reference papers that the topic of organizational restructuring through mergers, as it relates to cultural change and the influence on funders, staff, donors, volunteers and clients (the stakeholders), is more carefully identified.
Background/History

The purpose of this paper will focus exclusively on nonprofit mergers (not alliances or collaborations). Dozens of books and articles have been written in the past 20 years about the topic of the nonprofit mergers that appropriately approach the issues by first evaluating the alignment of missions of the organizations contemplating a merger. Once that is resolved, other major issues that need to be settled are identified and legal, accounting, and insurance professionals may need to be consulted. Many checklists have been compiled and chapters written about the issues on these lists. The following is a somewhat comprehensive list of the typical documents and issues to be investigated—as listed in most books and articles referenced on this subject:

- Determination of which organization will be dissolved and cede control to the other
- Review of each Articles of Incorporation and Bylaws and amendments on file with Secretary of State and attorney General’s Office
- Review of Government, Corporate, Federal, State tax exemption rulings and filings
- Governance: evaluating board cultures and determining which board members will be invited onto new board
- Financial Audits for the past three years: assets, liabilities, current year audit report, current bank accounts, outstanding debts (loans, mortgages, notes, deeds of trust, etc.)
- Leadership: determining who will be President/CEO
- Staff: determining if positions will need to be eliminated, combined, resolved through attrition, or other factors
• Existing programs: merged, expanded or eliminated

• Endowments (if any): determining donor intent, state attorney general may need to be consulted

• Administrative Business factors: liability insurance, health insurance

• Human Resources: Compliance review, policy, transitioning benefits, pre-existing legal matters (employee disputes, client suits, etc.)

• Financial Department Resources: review adequacy of bookkeeping, billing (third-party), investments, payroll, contracts, real estate, etc.

As previously alluded to, nowhere on the typical checklists of due diligence procedure of non-profit mergers is there a reference to auditing, requesting or reviewing information related to fundraising data records, determination of common/unique stakeholders, preparation for a possible decline in fundraising, nor a plan for strategic communication with stakeholders during and after the merger negotiations.
Framework for Analysis

Hank Rosso’s (2003) Constituency Model (pp. 42-48) is the primary framework for the justification of including stakeholder inclusion into the pre-merger discussions. Rosso’s ‘concentric circles’ (see Figure 1) demonstrates that it is the core constituency (those closest to the mission and purpose) that has the greatest energy and strongest bond (p. 42) to the organization. Predictably, these include the Board of Directors, senior management and major donors, and this is why they are found at the center of the circle. As the circle widens, the second ring, other stakeholders with well-established (but not having fiduciary oversight) responsibilities to mission and impact are important components to the potential of stability and growth of the organizations. These would include: mid-level staff and volunteers, those who provide products/services essential to the business of service delivery (vendors), donors that contribute funding to offset tight budgets or enhance services, and members and clients who utilize services. Rosso says that these “are important because they provide a broad base of support and a potential for greater future involvement, including more strategic volunteer activity and major gift development” (p. 43).

The third ring in Rosso’s circle model, consists of those who more ardently value the mission of the organization and are more hands-on involved, yet have “the potential for reactivation and involvement” (p. 43) even though their enthusiasm may diminish over time. This group involves former board members, former participants and former donors. The fourth ring is comprised of people with similar interests; an “ill-defined constituency sector” (p. 44), which might include family and friends of those in the first three rings, past employees, staff of vendors and funders—they might have a vague recognition of the organization’s name and/or mission. The fifth and last ring of Rosso’s constituency model circle is the organization’s
universe. The constituents that make up this group are often anonymous in nature, giving small amounts on an annual basis, just enough to participate yet staying under the radar of major prospect detection (p. 44).

Figure 1

*Rosso’s Constituency Model (2003, p. 42)*

The single most common denominator that all five rings have is the organization itself. Subsequently when two (or more) nonprofits consider a merger (and the missions are compatible and eligible to be merged) each must take into account their constituencies, separately and combined, and give them the opportunity to be involved with the merger process. “Mission is important, but so is money” (Brinkerhoff, 2000, p. 172), and if the constituents (stakeholders)
help bring the money to the mission, then the constituency model is testimony that stakeholders deserve a place at the table when a merger is being negotiated. Furthermore, if the constituent/stakeholder is also considered by the nonprofit organization to be a consumer of services and/or philanthropic experiences through involvement with the mission, then each consumer should be considered to be part of the organization’s audience—with needs, behaviors and expectations that should be recognized (Reich, 2010, p. 30). The audience decides what issues matter to them, and they control what they listen to, allowing them to conceptualize the implications of the actions of the organizations they are connected with, and trust that the long-term goal is a sustainable solution (p. 40).

Substantiating Communications Prior to a Merger

Drawing from other sources, Amy D. Benton and Michael J. Austin, published an article that embraces the importance of internal and external communication in the merger process when they wrote Managing Nonprofit Mergers: The Challenges Facing Human Service Organizations (2010). In it, they deduct (referencing McCormick, 2001) “[o]rganizations that engage in a successful merger often use a stakeholder-oriented communication plan that focuses on staff, board, clients and the community” (p.405). Moreover, to quote Dan McCormick directly, “In a nonprofit, volunteer-driven, mission-focused entity, a merger will not succeed if its people power is disregarded or alienated” (2001, pp.43-44), all of which corresponds with Rosso’s core constituency model.

In an interview with Cedric Richner, about his paper entitled: Non-Profit Mergers: Opportunities and Challenges for Fundraising (2009), he further elaborated and reinforced the inclusion of communicating with all stakeholders about the merger early on, before they read
about it in the media (C. Richner, personal communication, January 27, 2012). He states, “One of the best ways for a newly merged organization to alienate the donors of the former organization is to forget about them” (p. 4). Furthermore, Raymond Flandez writes in The Chronicle of Philanthropy, *Fund Raising After a Merger: What it takes to Succeed* (March 30, 2011), “Inform donors early and often. Don’t get nervous about talking to donors too soon about a merger. It helps avoid misunderstandings, experts say. Waiting until late in the process may leave donors feeling mislead or left out” (p. 5).

*Substantiating Analysis of Philanthropic Culture prior to Merger*

In Adrian Sargeant and Elaine Joy’s book, *Fundraising Management: Analysis, Planning and Practice* (2010), Ms. Jay, in describing the process of qualitative data analysis, refers to a survey of British senior fundraisers that had previously been involved with nonprofit mergers. The results revealed a key issue: “Without exception all respondents felt that volunteers should be treated the same way as paid staff during the merger and thus be consulted and kept fully informed throughout” (p. 57). Further, some respondents divulged that they had established a “merger committee whose role it was to work with key stakeholders such as volunteers, but also service users, charity workers, subscribers, members, patrons and funders to ensure that these key stakeholders are carried along with the merger plans and do not block change” (p. 57). Interestingly, even with these efforts, more than “two-thirds of the informants recorded a decline in fundraising income at the time of the merger and immediately thereafter” (p. 57). According to the researchers, some of the noted reasons for the decline included a substantial number of duplicate donors between the merging organizations, which resulted in multiple gifts from the same donor becoming just one at the same level of the previous support. Confused identity was another major factor noted as a contributing factor of the decline in
support; many people, especially the elderly, did not make the ‘new brand’ connection of the merged organizations. All respondents agreed that a “strategy that recognized the needs of each group, before, during and after the merger was therefore essential” (p. 58).

The fundraising cultures of the organizations to be merged should also be evaluated for compatibility. For merging organizations to successfully integrate into one, “sensitive attention to the needs and values of the constituents will draw them more intimately into the mission of the organization” (Rosso, p.48)—the new one.

Substantiating Analysis of Historic Fundraising Data

At some point during the merger process, when financial information is exchanged, and either of the merging organizations participates in any fundraising, the due diligence process should request a specific audit of the fundraising department and related materials, and not just a precursory examination, but one that is forensic in nature. A complete examination of the gift database and its integrity for reliability, accuracy, gift acknowledgement practices, compliance to IRS and state regulations should be conducted to reveal any errors or omissions that may need to be corrected prior to or after the merger. Some of these might include records of gift transactions and/or acknowledgements sufficient to respond to an audit or IRS inquiry. Furthermore, a scanning of the organization’s IRS 990 reports, comparing them to fiscal audits and fundraising reports (particularly the Schedule G) may reveal inaccuracies that need to be addressed in collection of data most useful for this type of reporting.

Kent E. Dove’s and William V. West’s (2001) framework for Applying Technology to Fundraising (pp. 310-333) supports an analysis of forensic fundraising data and practices prior to and during the due diligence merger process. Dove and West cite that fundraising technology is
the single most important support factor that enables nonprofit organizations to successfully raise money (p. 310). As centralization of gift/donor data is most important to the integrity of its effectiveness (p. 330), decentralization is the antagonist. Thus, the swift and efficient conversion of the gift databases from the merging organizations into one holistic database is essential to the seamless success in communicating and soliciting constituents for continued loyalty and support. This concept is reinforced by Dan McCormick, “Forgetting them on the annual report, losing records in a poor database conversion, or not passing along donors’ tastes and preferences in the transfer of institutional knowledge from one organization to the other, all contribute to donors feeling as if they are not valued” (2001, p. 4).

Correctly mapping data from one database to another is a highly technical and labor-intensive procedure, especially if there are several hundred to thousands of records to be converted. The complexity increases if each record is embedded with vital historical information. Many records may contain data pertaining to: cash gifts, soft credits, in-kind gifts, matching gifts, tribute gifts, multiple contact options (home, business and cell phone numbers), work and personal email addresses, addresses (home, business, seasonal), segmented gifts from United Way and Employer campaigns, notes regarding visits, conversations, events attended, awards, media entries and more. Mapping each of these individual fields to a corresponding field in the destination database, or creating a new field to accept unique data, could take many weeks of analyzing data content, meeting with Information Technology staff, either internal (if capable) or external (software consultant). The cost of staff time away from normal job functions, and if required, costs related to hiring a conversion consultant need to be factored into the post-merger budget. Once the conversion is finished, the new records and addition of transactions to be input each month/year may require additional staff time to complete in a
contemporaneous timeframe. Other details that may need to be factored into the post-merger financial calculations are increased annual maintenance database software fees (for the addition of more records), higher costs for more printed materials sent to more constituents (solicitation, gift acknowledgement letters, newsletters), and increased postage for all mailings.

Additionally, to prepare for revising written material to reflect a merger, a review of annual reports, web sites and related web pages, social media (Facebook, Twitter, LinkedIn, etc.), newsletters, printed materials and internal/external messages should be conducted to reflect a commitment to the merger and mission. These should all be current and relevant to services provided to all new and existing intended audiences, and distributed in a format that relates to their preferences (Reich, 2011). According to Thomas McLaughlin, in his book Nonprofit Mergers and Alliances (2010), “Pure financial information will reveal fundraising effectiveness, but the way an organization presents its case to the public will be a window into the thinking of the entity that cannot be captured in mere numbers” (p. 161).
Methods and Context

Articles, web sites and books on the topic of non-profit mergers and converting databases were sought out and reviewed to support or negate the hypotheses that fundraising data analysis and stakeholder communications should be a vital consideration during the pre-merger due diligence process. Additional data from CHD’s three mergers (2008-2011) was retrieved from the gift database software system (eTapestry) and examined to further explore the hypothesis that analyzing fundraising data and communicating with stakeholders should begin prior to a nonprofit merger.

Interviews with CHD’s current CEO, senior staff and board members who were involved with previous mergers as well as the former CEOs, executive directors, board members regarding their motives and intentions and expected outcomes for the mergers they participated in were conducted to collect several perspectives of this topic. Journals and other professional papers were scanned for information relating to this topic and several have been referenced in this paper.
Results, Discussion and Analysis

In order to comprehensively review the results and analysis of this topic the purpose should be revisited at this point. The purpose is to recommend the inclusion of substantial analysis of historical philanthropic fundraising data, practices and systematic communications with stakeholders during the due diligence process prior to a nonprofit merger to ensure a smooth transition of records and stakeholder loyalty after the merger.

The anticipated results from the analysis of actual data from the three CHD mergers (2008, 2010, 2011) were more extreme when the queries were originally constructed, once certain incongruities were removed, the figures provided represent pure constituent giving in dollars (no gifts in-kind and no soft credits were included). In mergers 1 and 2, corporate and foundation grant funding would be an anomaly, and not vital to the program’s budget, so it was not included to allow less variance in the results. In merger 3, grant information was included, albeit in a separate table, as it is considered to be a critical source of funding for that program. No known government contracts or other local, state or federal funding is included in the figures provided.

Table 2 shows the fundraising results of three mergers at CHD. Merger 1 occurred on July 1, 2008 and the results indicated that the year leading up to the merger FY 2008 revenues from fundraising had declined drastically. In the year that the merger occurred the fundraising revenues increased. The forensics on this particular merger revealed that most of the fundraising transactions in the year prior to the merger (FY2008) were not entered into the Gift Maker Pro gift software system, but instead only the results of the annual golf tournament were tracked, in an spreadsheet, which was never retrieved. This infers that at that point in time most gifts and
contributions went directly to the fiscal department, by-passing the gift database, which distorted the figures and indicates that donor’s contributions were not recorded for historical reference, a fact that may skew the effectiveness of results for solicitations in the future. In the following years since the merger, fundraising has improved, but not to pre-merger levels.

In merger 2, there are consistent revenues from fundraising until the year of the merger, then the fundraising revenues decline by 85% in the year after the merger, and decline an additional 95% the year after that. In this particular case the major annual fundraiser, the Annual Meeting, no longer continued, and the development staff was woven into other positions. Furthermore, there was no one from the previous organization assigned to continue the cultivation and solicitation process of the stakeholders.

Merger 3 took place in mid-fiscal year, and fundraising revenues began to decline in the year leading up to the merger. In the two quarters of FY 2012, revenues from fundraising are down significantly. The forensics of this merger are still being analyzed, and the initial assumption is that this organization was reliant on their board to support several fundraising events each year, several of which have been discontinued due to lack of commitment from the previous board and committees. Further investigations discovered that the entire database had been lost in a server crash in 2008, when nearly all historical gift and donor data was lost and never entirely retrieved—much of the gift history started over in 2008. This organization was also reliant on corporate and foundation grant funding, which has also dropped off since the merger. By observing the staff, monitoring eTapestry usage time and noting the relevant reports that are not being accessed in eTapestry to analyze revenues from contributions, it appears that there are few donor-centered fundraising practices being utilized by this program. In retrospect, the timing of this merger would have been more manageable had it occurred on July 1st, at the
beginning of the new fiscal year, which is a preferred option in most mergers. In the months of
July and August, despite staff vacations, there are fewer events, solicitations and distractions that
would allow proper attention to be given to converting the database, training staff to the new
system, preparing thorough communications and organizing smaller cultivation events to
introduce stakeholders to the newly merged organization.

The reduction in fundraising revenue in each of these merger cases can be directly
related to the merger and the less than optimal quality of data that was kept prior to the merger
coupled with the lack of cultivation and communications with former volunteers, donors,
vendors—all stakeholders, before, during and after the mergers. From interviews with the
previous CEOs/Executive Directors, only the senior staff and board members were privy to the
early negotiations in two of the mergers and staff was informed about the time that the
memorandum of understanding (or similar agreement) was signed (J. Callahan, personal
Near the date of the merger, or slightly thereafter, the greater stakeholder audience was informed
of the merger through a letter from the past president, Executive Director and/or existing CEO.
There were brief mentions of the mergers in the local papers that picked up on the press releases
that were sent out on July 1, 2008 (merger 1), July 1, 2010 (merger2) and January 2, 2011
(merger 3), and then a month later in a CHD newsletter to more than 6,000 stakeholders. Not all
the letters and newsletter were received by everyone affiliated with the merging organizations,
since (as previously documented) the databases had not be thoroughly converted, and
downloaded information from pre-existing databases was old and unreliable. Since there was no
preparation time incorporated into the merger process to allow for a timely conversion and
updating of databases using the NOCA (U.S. Post Service National Change of Address database)
hundreds of letters and newsletters were returned because of bad addresses—a further misuse of time and resources.

Furthermore, there has not been a thorough analysis of duplicate donors from each of the mergers woven into the database during the conversion process. The realization may be that those duplicate donors have condensed their giving to reflect a single gift to one organization rather than all four. Additionally, there has been no research into the age of the constituents in the database to determine if they are predominantly older and thus less accommodating to change—a consideration previously referred to in Adrian Sargeant and Elaine Joy’s 2010 research.
Table 1

CHD Mergers 2008-2011

<table>
<thead>
<tr>
<th>Merger 1</th>
<th>Constituent Contributions (no grant $)</th>
<th># of Transactions</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2005</td>
<td>$39,133</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>FY 2006</td>
<td>$32,525</td>
<td>252</td>
<td></td>
</tr>
<tr>
<td>FY 2007</td>
<td>$18,895</td>
<td>133</td>
<td>Poor tracking begins</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$750</td>
<td>14</td>
<td>Merger talks begin</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$8,947</td>
<td>174</td>
<td>Merger 7/08</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$24,225</td>
<td>340</td>
<td>Comingled name year</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$12,789</td>
<td>187</td>
<td>Most programs consolidated into clinics</td>
</tr>
<tr>
<td>2 Q's 2012</td>
<td>$10,070</td>
<td>78</td>
<td>One program requires outside funding</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Merger 2</th>
<th>Constituent Contributions (no grant $)</th>
<th># of Transactions</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2008</td>
<td>$14,348</td>
<td>174</td>
<td></td>
</tr>
<tr>
<td>FY 2009</td>
<td>$14,545</td>
<td>124</td>
<td></td>
</tr>
<tr>
<td>FY 2010</td>
<td>$17,777</td>
<td>138</td>
<td>Merger talks begin</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$5,581</td>
<td>62</td>
<td>Merger 7/10</td>
</tr>
<tr>
<td>2 Q's 2012</td>
<td>$300</td>
<td>8</td>
<td>fully consolidated into CHD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FR $ less necessary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Merger 3</th>
<th>Constituent Contributions (no grant $)</th>
<th># of Transactions</th>
<th>Grant dollars (included)</th>
<th>Grants as % of Rec'd</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2008</td>
<td>$41,578</td>
<td>525</td>
<td>$48,612</td>
<td>54%</td>
<td>lost data from server crash</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$187,871</td>
<td>2152</td>
<td>$84,775</td>
<td>31%</td>
<td>Merger talks begin mid-2010</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$282,800</td>
<td>2060</td>
<td>$87,093</td>
<td>31%</td>
<td>Merger 1/1/2011 (mid FY)</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$173,292</td>
<td>1833</td>
<td>$75,854</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>2 Q's 2012</td>
<td>$54,952</td>
<td>743</td>
<td>$10,500</td>
<td>16%</td>
<td>lost one major funder</td>
</tr>
</tbody>
</table>

Supplementary analysis of the consequences of the after-merger expenses and challenges was undertaken, using an audit of the invoices from the consultant that was hired to assist in assessing and converting the disparate databases into the main eTapestry database.

Table 2 shows the hours and costs incurred by the consultant to clean and convert the data so that it could be mapped to the correct fields in eTapestry. These hours do not include the hours of the
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CHD Director of Development and program staff to further assist in interpreting and/or adjusting data to ‘make it fit’ into the new system. It would be accurate here to assume that the staff hours totaled at least half of the consultant’s hours—correcting and remapping the information continues.

The conclusion here is that the financial cost to a large organization such as CHD may not be that significant in the overall larger picture compared to the assets that the mergers brought into the system. However, smaller organizations that did not budget resources to complete this one part of the pre-merger process would have found it to be an unwelcome surprise to the post merger expenses, or worse, they may not have had the resources to pursue it effectively and instead choose to postpone the project into the future, further compounding the issues.

The time to convert the fundraising data alone was significant from the development staffs’ perspective as it curtailed attention to other projects and priorities, which set other goals and objectives behind schedule. The expenditure of time for the data conversion task alone did not properly allow to plan or execute anything more that a quick press release, a letter to select stakeholders, a web site announcement and eventually an agency newsletter article describing the merger—after it was complete—these were the primary communications to the stakeholders.
The results of this analysis discloses in detail what has been alluded to by many other authors and observers—that thorough examination of forensic fundraising data is essential to understanding and influencing the fiscal and philanthropic outcomes of nonprofit mergers. Though not the most important factors in the discovery and due diligence process of a nonprofit merger, the conclusion of this research is that fundraising data analysis and timely
communications with major stakeholders of the merging organizations is extremely relevant and should be performed prior to finalization of the merger.

Lessons learned

- Fundraising data analysis reveals that inadequate data and record collection from any of the merging organizations leads to inefficient and ineffective conversion of information into the primary/existing gift software system. This results in converting to a more sophisticated (and expensive) gift software system, or adding more costly modules and fields to the existing system as well as contracting with a consultant/software expert to remap dissimilar data for conversion purposes—all of which is an added cost to the after-merger budget.

- Sufficient resources should be allocated to fundraising and communications aspects of each merger to allow for accurate and timely analysis and conversion of data, as well as thorough planning of stakeholder communications and retention efforts.

- Orchestrating timely and hierarchal communications about the impending merger with stakeholders (state and private funders, past board members, major donors, and other key volunteers, staff) in an effort to encourage positive and supportive engagement will retain loyalty to the mission and purpose of the newly merged organization.

- Planning the merger completion to occur at the end of the fiscal year (especially if that is June 30) so that the typical ‘slower’ summer months can be utilized to convert data before the fall appeals, events and holiday solicitations requires accurate data to be retrieved for proper segmentation of solicitations.
Recommendations

From the lessons learned above, a checklist that should be included in nonprofit merger due diligence procedures would incorporate:

1. **Data base integrity analysis**: An analysis of database and records going back three-to-five years should be adequate to identify accuracy trends and mapping requirements, a longer timeframe would be more beneficial if the information is reliable.

2. **Duplicate donor identification**: Especially major donors to assure a communication plan is established for all and/or individually, depending on their past and future involvement and potential—in the pre-merger process consider using an independent third party for confidentiality purposes if neither party is willing to divulge this information.

3. **Stakeholder Communications**: Create a time-line and financial plan that will keep stakeholders informed every step of the way during the merger discussions—they will feel part of the effort and can celebrate and continue with their loyalty. Consider a merger committee for stakeholder engagement; choose respected people who can share the positive aspects of the merger with larger audiences.

4. **Plan database conversion**: Create a budget for time and financial resources to get the conversion and communications tasks done effectively and efficiently to ensure a smooth transition of records and stakeholder loyalty during and after the merger.

5. **Internal and External communications**: Planning ahead to update each merging organization’s web sites, social networking pages, internal intranets, signage, stationary, phone
greetings, email signatures etc., will go a long way to assuring staff, stakeholders, and the public that the merger is a positive event, and one worth celebrating.

Further Study

With more time and access to more information, it would have been worthy to note the history of the Board of Director’s giving history, attendance at meetings and participation in past events, and social/cultivation efforts. This information would be useful in determining which board members would be an asset to add the newly formed board and/or to identify those laudable to join a committee. Further, any references to any type of self-interest by any of the board members should be made completely transparent, discussed and determined for potential liability.

Additionally, looking at how a merger might potentially cause similar programs from the mergers to compete for common grant funding with Corporate, Foundation and United Way allocations would be useful to know—to prevent ill will, but more optimistically to allow time to write collaborative grants. Further, an inventory of branding and marketing materials to convert soon after the merger, including web site and social media transitions, will benefit staff assigned to those tasks.

Pertinent information from more research may have revealed ancillary data regarding other issues related to this topic, which are not entirely covered here or in the traditional nonprofit merger checklist. The data analysis, time and fiscal resources needed to properly prepare for a merger is important enough to be part of an overall “nonprofit merger checklist”. Typically, most nonprofits don’t have adequate staff to handle all of this additional work; however, it is put on existing staff agendas anyway, and then inevitably
something else is bound to fall behind. Or, there is a cost to hire outside consultants to provide the service, which still includes staff time for supervising the project. In essence, there is even more information that needs to be analyzed before a merger and more added to the ‘checklist’, especially from the development/fundraising department’s perspective. More analysis of historical information prior to a merger can prevent failures, a disappointing decline in support and most likely improve results. At the least, the development staff will be better prepared, and that should be important to the strategic fundraising and philanthropy professional involved with the merger.
Conclusions

To restate, the purpose of this paper is to recommend the inclusion of substantial analysis of historical philanthropic fundraising data, practices and systematic communications with stakeholders during the due diligence process prior to a nonprofit merger to ensure a smooth transition of records and stakeholder loyalty after the merger. The important key findings (from three data samples of actual mergers and other references) are primarily related to the significance of historical fundraising data, the integrity of the related constituent databases and stakeholder communications associated with the merger—even though these are not the driving criteria for any nonprofit merger.

Regarding the fundraising aspects of a nonprofit merger: fundraising revenues and stakeholder loyalty are sure to decline if preparations are not in place to prepare for a timely database conversion that will enable accurately notifying stakeholders of the impending merger and to accurately solicit contributions after the merger. Regarding the communications aspects of a nonprofit merger: frequent communications with stakeholders during the due diligence merger process will typically not jeopardize the outcome of the merger, so secrecy is not an ideal objective in a nonprofit merger.

With that stated, each organization researched for this paper was unique, bringing different qualities to the holistic organization that outweighed the disadvantages of the fundraising and stakeholder communication issues. Moreover, each merging organization had to consider their clients’ reactions to any change that a merger might bring about. The sensitive nature of working with people who are diagnosed with a disease, intellectual disability, mental illness, addiction and related behavior disorders, compromises the optimal timing of
communications related to a merger of human/social service organizations—to avoid unnecessarily disturbing the equilibrium of the clients.

In summary, Hank Rosso (2003) contends that nonprofits “should spend most of their time and energy identifying their constituents and cultivating meaningful relationships with them” (p. 48), which parallels with Kent Dove’s (2001) contention that “applying technology to fundraising is the single most important factor to support successful research, analysis and communication” (p. 310). This correlates to Rosso’s theory that sustainable fundraising means moving the donor closer to the center of the organization’s universe and bonding them to the core (p. 48), which again links back to Dove’s theory that technology makes raising money more effective, efficient and economical (p. 310). They are symbiotic theories—with common denominators that support the purpose of this paper: fundraising data analysis and stakeholder communications are important tasks that should be considered prior to a nonprofit merger.
References


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