Strategic Restructuring: Mergers and Creative Alliances

League of American Orchestras

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with

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Greater Autonomy

Administrative Consolidation
- Contracting for services
- Exchanging services
- Sharing services

Joint Programming
- Single focus or program
- Multi-focus or program
- Integrated system

Greater Integration

Management Services Organization

Parent/Subsidiary Corporation

Corporate Merger/Acquisition

Joint Venture Corporation

Contract or MOU
- No permanent organizational commitment
- Decision-making power remains with individual organizations

Change in Corporate Structure
- Involves a commitment for the future
- Decision-making power is shared or transferred
- Is agreement-driven

Involves changes to corporate control and/or structure, including creation and/or dissolution of one or more organizations

Collaboration
- Information sharing
- Program coordination
- Joint planning

Strategic Alliance
- Strategic Restructuring

Corporate Integration

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Why Do Nonprofits Consider Strategic Restructuring?

- Pursue New Opportunities
- Build Capacity
- Greater Community / Artistic Impact
- Greater Access to Funding
- Increase Efficiency and Reduce Costs
Why Do Nonprofits Consider Collaboration?

Factors that best describe why this collaboration was formed *

- Improve quality of services/programs: 86%
- Maximize financial resources: 85%
- Expand range of services/programs: 83%
- Serve more clients/audiences: 82%
- Improve program outcomes: 82%

n = 644  *2010 Collaboration Prize database, the Lodestar Foundation
Administrative Consolidation

Chattanooga Museums
Tennessee Aquarium, Hunter Museum of American Art, and the Creative Discovery Museum

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Merger

Oakland East Bay Symphony, Oakland Symphony Chorus, and Oakland Youth Orchestra
Key Success Factors

- Mission focus
- Flexibility in pursuing mission/growth
- Clarity regarding desired outcomes
- Positive relations with potential partners
Roadblocks to Strategic Restructuring

- Autonomy concerns
- Lack of trust
- Self-interest
- Organizational culture
Self-Assessment

- Motivators
- Desired outcomes
- Critical issues
- Organizational factors or “red flags”
- Financial assessment
Partner Assessment

- Level of trust
- Past experiences
- “Usable” skills and assets
- Cautions and challenges
- Mission and program compatibility and complementarities
- Financial condition
The Negotiations Process

Process Steps:

- Identify Issues
- Due Diligence Process
  - Negotiate all issues
  - Record agreements
  - Communicate progress to constituents
  - Determine potential problems
  - Disclose information
  - Analyze

Decision

Recommendation

Integration

Joint Legal Counsel

Corporation A
- Board of Directors

Corporation B
- Board of Directors

Joint Merger Negotiation Committee

Corporation A
- Board of Directors

Corporation B
- Board of Directors

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Three Legged Stool of Performing Arts

- Governance
- Administrative Direction
- Artistic Direction
Cultural Integration

- Intentional process
  - Specific events, opportunities, times to reflect
  - Respect the time needed to move through this process
- Maintain open two-way communication
- Celebrate small and large successes
- Resolve disagreements/problems immediately
- Determine communication and decision making style early
- Monitor internally and externally
Key Success Factors

Trust
Joint Decision-Making
Shared Culture
Board Engagement
Good Facilitation and Process
Sustainable Structure
Dayton Performing Arts Alliance
Questions & Discussion
Thank You!

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