



Hang on, Merge, Close: Making Tough Choices During a Crisis

April 30, 2020



Luis Vergara
Partner
La Piana Consulting



We are in unprecedented times...

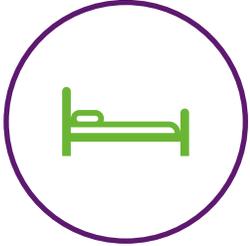
- Change is hard, and during these times, change is not just a strategy, it's a need
- Of 433 respondents to our survey(results attached):
 - 93% have curtailed service or made changes
 - 83% have moved operations to a work from home arrangements
 - 70% expect some revenue loss
- Our reality is that change and adapting to change is necessary
- Beyond preparing for our current change, we also need to consider what happens next

C h a n g e i s N e e d e d !

- Being strategic about the immediate future is an imperative, and, for many your choices are limited:
 - Hang on until we get back to normal or the “new normal”
 - Merge
 - Close and/or Change
- Our current reality is that we need be realistic about our future & adapt, maybe even merge...

Your Options

Our partners at Seachange define three types of nonprofits in this crisis



Hibernators

must close down during the crisis because their services cannot be provided



Responders

may see demand and expenses increase for their particular services



Hybrids

have elements of both

Consider the following, and answer truthfully, no wishful thinking:

What services can we continue offering in this environment?

Can we adapt our services or pivot to do something else?

What impact is this having on our revenue?

Do we have reserves to draw on?

How long can we survive like this?

Should we partner with others?

Self Assessment

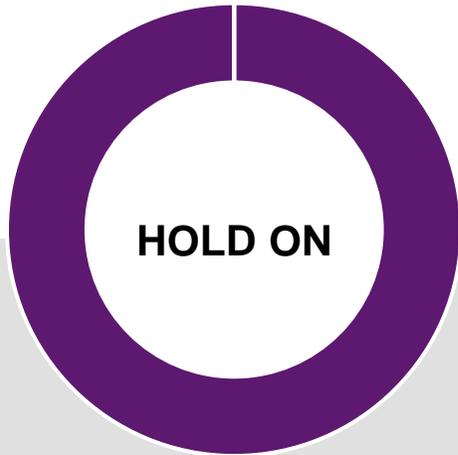
Based on your analysis develop a strategy:

One or more options with defined triggers (financial, or elapsed time). For example:

- If we get to (**Date**) and have not reopened, we will take these actions
- If revenue drops below **X** we will commence layoffs
- We can see the trajectory we are headed on and need to begin acting now

Strategies

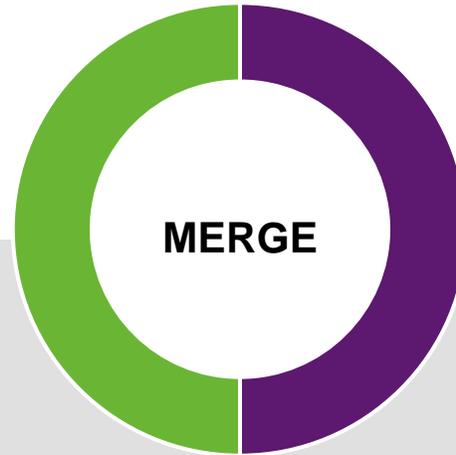
Understanding the Options



HOLD ON

You might select this strategy if you:

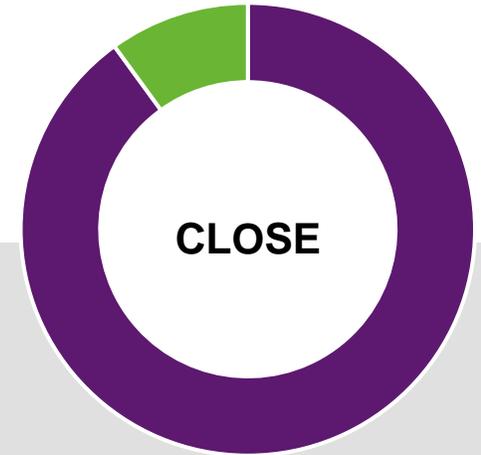
- ✓ can continue operating at a sufficient level to cover costs
- ✓ can reduce costs (hibernate) and are confident of a return to normal
- ✓ have sufficient reserves
- ✓ were healthy and strong before COVID-19
- ✓ can manageably furlough employees and then bring them back
- ✓ can adapt services or pivot to deliver those services for which the need has increased



MERGE

You might select this strategy if you:

- ✓ will run out of cash at a defined point, leaving you unable to make payroll
- ✓ were on the edge of sustainability before COVID-19
- ✓ prioritize acting responsibly toward employees, vendors, and the community
- ✓ Have one or more programs that can survive but the organization cannot
- ✓ Have in mind a potential partner that is either stronger or complementary (you are both stronger together)



CLOSE

You might select this strategy if you:

- ✓ will run out of cash at a defined point, leaving you unable to make payroll
- ✓ were on the edge of sustainability before COVID-19
- ✓ Can identify assets/programs to transfer to a surviving organization
- ✓ prioritize acting responsibly toward employees, vendors, and the community

Maybe you should also consider other options, like mergers and partnerships

Make Your Decision

Taking action sooner gives you more options

Effective Leadership in a Crisis: Adaptive, Decisive, Inclusive

Form a board/management committee to consider your options

Appoint a crisis coordinator if the CEO is overwhelmed with day-to-day

Ban wishful thinking: bring facts and numbers to all meetings

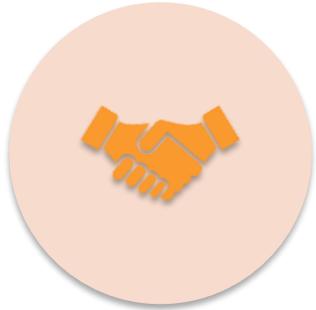
Get help: from funders, board members, advisors

Take care of yourself: stress makes for poor decision making



**Considering
Partnership or Merger**

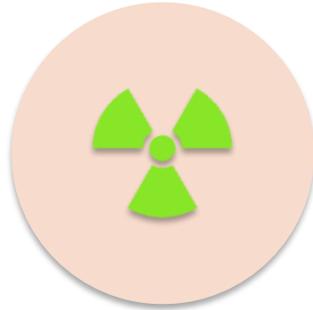
Why is Merger a good Strategy at this time?



Partnerships make you stronger!

Partnership will allow you to leverage the strengths of 2 or more organizations & better allow you to pursue your mission

Remember, you cannot pursue your mission if you go out of business



Survival of the fittest is a reality

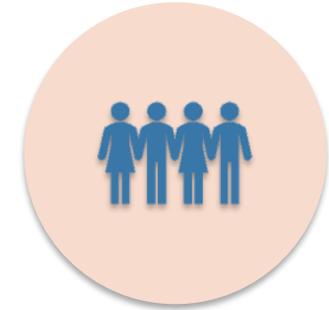
Some nonprofits will close or go out of business during this time. Optimizing your offerings and operations is a good strategy

The #1 reason any organization goes out of business is a lack of cash



Change is happening

Given that you are undergoing change already, it's a good time to think beyond traditional vehicles of change



Your Culture is changing

Organizational Culture will be adapting during this period, culture is hardest areas to integrate, so it might be a good time to further adapt your culture

Key reminders about the future and partnerships....

- ❑ There is more than one partnership option to meet your needs
- ❑ Partnerships take time and capacity, so time is of the essence
- ❑ A strong process will provide confidence and structure – consider hiring a consultant
- ❑ We are in a people business so don't discount the people affected by a merger
- ❑ Clarity of purpose is important!



Should you choose to merge...

- Speak to your board and key staff
- Review a list of key partners who would be a good fit for you
- Find an organization who might be open to discussing a merger
- Engage your board an information discussion
- Hire a consultant to help you
- Begin planning and negotiations.



Thank you

vergara@lapiana.org



La Piana
CONSULTING