

This article appeared in Tucson Business Edge – December 2005

Mergers on their minds

Some of Tucson's 3,500 nonprofit agencies mull joining forces to better compete for tight resources

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"Find a need and fill it," one of the iron rules of capitalism, also applies to the nonprofit sector.

In response to the needs of Tucson's diverse population, the area has a broad and growing array of nonprofit agencies. But with more agencies chasing after slices of the pie, some are asking if the nonprofit community might make better use of its resources by combining forces, as merging businesses do.

Frank Williams, former executive director of Family Counseling Agency, and Sue Krahe-Eggleston, former executive director of Our Town Family Center, joined forces as the two nonprofits merged last month. Krahe-Eggleston is executive director of the new entity, Our Family Services. Williams is program director.

"We have an overwhelming number of nonprofits," said Frank Williams, program director at Our Family Services. "I'm not sure that that's greater than in other communities, but from my experience it is."

Dan Duncan, group vice president for community development at the United Way of Tucson, has a different perspective. "I've lived and worked in a number of communities, and there's been an incredible growth in nonprofits across the country: more than 35,000 new nonprofits a year over the last ten years. And I think Tucson is very similar to that; I think we were actually ahead of the curve, because we do have a fairly strong infrastructure of a nonprofit community here.

"I think what it speaks to is that Tucson is a community of a lot of small businesses," Duncan explained. "And I think that the nonprofit community is very similar to that, in that we do have a lot of small nonprofits in our community. But do we have more than our per capita share compared to others? I don't think so. I think we're just riding the national trends."

Marian Lupu has been with the Pima Council on Aging for 38 years.

"I've seen a lot of new agencies develop and grow," said Lupu, PCOA's executive director. "I know that there are about 2,000 nonprofits in Tucson; that's the number that is usually quoted to me. I don't know if that is an unusually large number or not; I'm not an expert about what goes on in other communities, other than in aging issues."

In fact, there are about 3,500 registered nonprofits in Pima County, according to the National Center on Charitable Statistics. That number is up 40 percent from a decade earlier, compared with a 29 percent growth rate for nonprofits in the nation as a whole. Does that make Pima County unusual? Not exactly. It has approximately 4 nonprofits for every 1,000 residents, slightly below the national average of 4.7 per 1,000.

That compares favorably to larger cities such as Pittsburgh, with 1.1 per 1,000, or Detroit, at 0.6. But the concentration of nonprofits in the District of Columbia is 13 per 1,000. The per capita charity champ is tiny Missoula, Mont., which boasts 26 nonprofits for every 1,000 residents.

Michelle Schubert, executive director of the Brewster Center, turns the question of nonprofit concentration on its head.

"Are there a lot of nonprofits here in Tucson? My response to that would be, while there are a number of organizations in town assisting our community, there doesn't ever seem to be enough assistance in our community. So I look at it from the other perspective: Are we able to serve everyone who needs to be served in our community? And I would say, no. So I don't think the issue is whether or not there are a lot of nonprofits; the issue is whether or not we are able to effectively serve everyone. So there is a lot of need, and there will continue to be need."

Given the scope of that need, it's disconcerting for many in the nonprofit sector to find that some funding sources have diminished.

"Being dependent on public funding, particularly federal funding, is very tenuous," said Stephanie Sklar, executive vice president for external relations at the Southern Arizona Center against Sexual Assault. "Events like Katrina, and the Iraq war and 9/11, they sort of focus efforts. There's a lot of attention to these very serious incidents, and they attract donors that may otherwise be supporting nonprofits whose efforts are equally vital, but focused less visibly."

Sklar describes a strategy for survival in a competitive environment that is echoed by many of her colleagues.

"What we try to do is keep our funding sources as diverse as possible," she explained. "And we have a combination of funding that's federal, that comes from Pima County and the city of Tucson, and other public funding sources that have a vested interest in having our work continue. And then we have a very active private funding program, which allows members of the community to contribute

as individuals. That's really the only way we can survive as an organization is to not be overly dependent on any one particular funding source."

"That's the reality," Schubert said. "Each year, you don't know what grants will or won't still be available, or if the priorities are still going to be the same." Schubert also argues for a diversity of fund-raising efforts.

"The majority of Brewster Center's funding comes from federal, state and local levels of government. And we all know that that's a continuing challenge; that the pots of money continue to shift. So what we're continually focusing on is the long-term sustainable support. And along with that, we have our Safe Tomorrows breakfast. And that's a fund-raising breakfast, and that's about getting the community involved. Asking them to participate, and stand up, and be a voice, and assist us in that long-term, sustainable funding challenge."

Many in the community have risen to that challenge. Sklar is pleased to report on the results of a capital campaign that raised money to consolidate SACASA's operations into its spacious new headquarters.

"We actually surprised ourselves," she said with a smile, "with how much support there was for our being able to deliver these services all under one roof. It was so wonderful for this organization, because not only did it meet its goal of providing this wonderful facility for survivors, but it built relationships in the community that were just ripe for the picking. As soon as they were introduced to this organization, people wanted to be part of that.

"So many people had not really been engaged in supporting this organization, because they didn't really know it was here, or they didn't really know that private funding was something that this organization was interested in," Sklar said. "So I think everybody was really delighted and stunned when they were able to raise \$1.6 million over, really, a couple of years. It really shows how this community can band together when you can articulate a need."

Lupu has also had success in finding a need and filling it.

"Our contributions come from people who receive the services, from family members who have had some of their elderly relatives receive services, and from known philanthropists who are concerned with the cost-savings of providing prevention services," she explained. "What I'm saying is when you provide a home-delivered meal to a person, you're sometimes preventing them from becoming dehydrated, or malnourished, and going to the hospital within two weeks. So there are philanthropists who understand, by giving us money for those services, that we're preventing the use of much more costly services."

In the interests of saving money in a time of increased competition for funds, some in the donor community are pressing nonprofit directors and boards to consider what is commonplace in the private sector: mergers.

"At Tucson Electric Power, we have actually been encouraging and incentivizing collaboration and mergers between agencies since about 1998," said Sharon Folz, community relations director for TEP.

"As one of the last corporate headquarters in southern Arizona, we work with about 500 nonprofits a year. So we really have the opportunity to see the good work that nonprofits are doing, as well as some of the financial challenges that they face, and cost of services go up as there is expanded need for those services.

"So we really encourage agencies to look at not only fund raising and grant writing to meet their financial needs, but to also look at doing things efficiently," Folz said. "Can you share something, or even merge with another organization, to reduce your overhead?"

"We've sponsored training; I had the National Nonprofit Institute, out of Indianapolis, to come and do a series of trainings back in '99 and 2000. Last year, 2004, we sponsored a meeting called Conversations and Collaborations. We brought in a professional consultant to just talk to agencies about different ways that you can collaborate. And her analogy was dating: you look for agencies that share common interests, you might date, or might actually go into a formal relationship."

Two agencies that did enter into a formal relationship are Our Town Family Center and Family Counseling Agency, now consolidated as Our Family Services. Frank Williams, who was previously the executive director at Family Counseling Agency, is delighted with the results.

"We're not going to save a lot of money initially, in terms of sheer dollars; it'll probably take a while before that comes about," Williams said. "But in terms of the availability of reaching for more dollars, we've put ourselves into a new category, where we've moved from about a two and a half million dollar agency, and now between us, we are over five and a half million dollars. So we really can make a case for the fact that we are a larger agency; we have a greater ability to reach out across the board. We can do more for our clients."

Sue Krahe-Eggleston, now the executive director at Our Family, used to run Our Town. She described how the process began: "Our boards came together. We had two board members that sat down and talked with us. And I think in today's climate, whatever chair you sit in, in regards to a nonprofit, you have to look at ways of doing better at what you do, and one of those is to do this. The executive directors sat down, we talked, and the boards talked."

Of course, like any business merger, there were difficulties in implementation. "There were systems issues that we needed to take care of," explained Krahe-Eggleston. "You're putting two different cultures together, and it's a challenge. It's a lot of details. We used a consultant for a while, and that helped a lot, helped us think outside of the box. We had a board merger committee made up of three

members of each of our boards, respectively. They met every Friday morning at 7 for about nine months, and worked through all of the kinks and challenges.

"And I think the thing that made it work for us is that they made the leadership decisions early. Those got out of the way and then they just bought into the process and worked through all of the challenges."

Duncan said the United Way has also been supportive of collaborations and mergers.

"To do a better job of meeting the needs or the issues that people in our community have, very rarely can one nonprofit meet all of a family or an individual's needs. So the first thing that we clearly support is nonprofits coming together to make their services as seamless as they can for the people they're serving."

Brewster Center's Schubert maintains that collaborations are standard operating procedure.

"I think nonprofits work every day to combine efforts: through partnerships, through joint grant writing," she said. "For example, Adult Probation wrote us into one of their grants, to be able to assist survivors whose perpetrators are coming through the adult probation system. We have a partnership with Victim Witness at the County Attorney's Office to assist with children that are involved in domestic violence relationships. We have a partnership with Our Family Services to provide training to educate youth on issues related to domestic violence. We have an agreement with the Center Against Sexual Assault, for sexual assault victims to use our shelter for up to three days if they're in danger and don't feel safe going back to their home. We do that with a number of different organizations; that's a necessary part of the work that is continuing to happen."

Folz is pleased with how collaboration between agencies has flourished. "Last year, when we did our Grants That Make a Difference presentation, one of the programs being funded was for gap insurance for refugees, through Jewish Family Children's Services. And a lot of these women are from North Africa, which has some real cultural differences from North America, obviously. And one of the things the women were struggling with was westernized health care, particularly the ob-gyn services.

"So while we were there, some of the other grants we made were to the Women's Birth Center, and to the Diaper Bank. So those three agencies got together and have a wonderful partnership now, where North African women get to have midwifery services, which they are much more comfortable with, and are much more in keeping with their cultural needs, as well as the Diaper Bank. And so just through our own grant process, we've seen some wonderful partnerships happen."

While collaboration is common, mergers are not always possible. "We think that mergers make sense when there is a strong compatibility of mission," Duncan said. "We don't think mergers that are sort of thrown together work. We do not support mergers just for mergers' sake. And in fact we try to make sure that we're clear about that, that we're not promoting mergers as just the only option."

One merger that did not come off, despite best intentions, involved discussions between SACASA, Planned Parenthood of Southern Arizona, Wingspan and the Southern Arizona AIDS Foundation (itself a product of a merger between two earlier AIDS organizations).

"It was a study to look at efficiencies in the nonprofit world, particularly in the back office, said Bob Jennens, CFO at SACASA. "It involved reviews of our operations in finance, IT, and HR. We called it the Tucson Administrative Collaboration. La Piana, out of San Francisco, were the consultants that we worked with, and they were good. They helped us break through some resistance that we had, initially, and got us back in the room again and said, let's keep going."

The collaboration was funded by the city and private donors hoping the organizations could become more efficient, Jennens said.

"And we spent considerable time looking at everything, and found that there might have been some chance for economizing, but because of the different sizes and interests of our agencies, we just really couldn't find the right package."

Duncan agreed that merger was not the right solution for those four agencies. "That's an example where, as they got into it, while there was some mission compatibility, there were enough differences in their economies of scale and in the size of the organizations, that it didn't make sense."

Lupu has a slightly different perspective on the question of mergers.

"I don't see why people are so excited about the numbers of nonprofits, because we have (payday) loan stores on every corner, or we have grocery stores every other shopping center," she said. "We're sort of an amalgamated agency to begin with. In other words, we're an umbrella agency; we'd look over all of the services in the community, Pima County, for aging, regardless of what kind they may be and regardless of whether or not we actually purchase services from them. And there is no such comparable thing, for example in domestic violence, or in children's services. And I do think those particular topics would be well served by an umbrella agency, simply because I see how cooperation and communication amongst agencies can provide better services."

Folz echoes Lupu's advice: "I think that agencies, for decades, they were in this mode that they needed be competitive with each other about fund raising, about programs. And the reality is that their competition is no longer other local

agencies; it's on the national and international scale. And anything that they can do locally, to make their services stronger, just makes them a better candidate for a national grant."