

Policy Research Meets Direct Services: Why Merger Made Sense

In 2006, Crittenton, Inc. (Crittenton) and The Women's Union (TWU) merged to create a new organization with a revitalized vision of how to help low-income women and families in Massachusetts achieve economic independence. Crittenton was an established human services agency providing shelter and other direct services to women and children. TWU was an advocacy organization conducting programs and research focusing on the social and economic challenges faced by this same population. Impelled by their similarity of purpose, Crittenton and TWU were motivated to join forces not as a response to crisis, but by the opportunity to leverage their complementary strengths to create something entirely new. Today, the combination of research, advocacy, and direct service – and the way each is used to enhance the other for greater impact – has allowed Crittenton Women's Union (CWU) to more dynamically and effectively address critical community needs.

Both organizations were founded in the 1800s. Crittenton's (originally the Boston Female Moral Reform Society) mission was to provide aid to unmarried mothers-to-be, and TWU (then the Women's Educational and Industrial Union) was formed to advocate for low-income and immigrant women. The two evolved in parallel over the years, adapting to meet the changing needs of the times. Crittenton developed an array of programs to provide housing, education, and primary and preventive health care to women and their children. TWU built a strong reputation for research and advocacy shedding light on the gap between what many women and their families earn and the cost of living in Massachusetts. Both were committed to empowering women and helping them achieve self-sufficiency, but each went about it in different ways.

Ultimately, it was the distinctiveness of what each brought to the table, and how this could fuel innovation, that made a merger between Crittenton and TWU so

attractive. However, this opportunity may not have come to light had not both organizations found themselves, in late 2005, facing the imminent departure of their respective CEOs. This served as an unexpected catalyst that brought the two boards together in a merger process that was launched in February 2006 and completed by July 1, 2006.



Photo: Graduates from CWU's *Woman to Woman* program, which provides computer training, professional development, and life-skills training to low-income women entering or returning to the workforce. July 2010. All Rights Reserved: CWU.

Understanding Merger: Crittenton and TWU as a "Marriage of Equals"

Despite serving similar populations, Crittenton and TWU had not collaborated before. It was only when each board learned that the other was seeking new executive leadership that conversations were initiated about what the two organizations had in common and how they might partner. Both boards had already recognized that a transition in executive leadership had the potential to reinvigorate their respective organizations. Pamela Murray, CWU board Chair (then chairing the board of TWU) credits the entrepreneurial spirit and business savvy of colleagues and counterparts on both boards with moving the dialogue beyond programmatic

collaboration to the bold idea of a full merger. Two developments – one involving senior staff and one related to the direction the executive search had taken – also contributed to this shift in thinking.

When board members reached a point at which they could not further analyze the implications of a merger without involving staff, they invited their senior teams to assess the potential risks and benefits and to present a case. Staff leapt at the opportunity, convening jointly in an off-site work session to map out the idea in greater detail. The senior staffs' efforts demonstrated both the merit and feasibility of a merger. Ms. Murray recalls, "That's when it became real." In the meantime, Crittenton and TWU's search committees had stalled out and the boards agreed to suspend these independent efforts. Interestingly, both organizations had identified the same individual as a top candidate. However, she did not reciprocate their interest. But when the two Chairs approached Elizabeth Babcock together and presented the concept of a merged organization, she agreed to further discussion, viewing it as a more attractive and challenging opportunity than leading either organization on its own.

If the merger of Crittenton and TWU was, as described in a *Boston Globe* editorial in March of 2006, "the marriage of a social worker and a data-driven preacher,"¹ Dr. Babcock, as new CEO, had stepped into the role of officiant, bringing nonprofit organizational development and strategy expertise to bear in helping the board to complete the partnership. This was no easy task, nor was it undertaken lightly. Ms. Murray says, "We realized it would be a boatload of work, and that we should only do it if the result was 1+1=4." This task involved taking two organizations that had lived side by side for decades, with different programs, cultures, staffing, and funding, and bringing them together into a cohesive whole with a shared mission understood by all.

A Strong Vision: CWU Puts the "Strategic" in Strategic Restructuring

Although the merger presented ample opportunities to achieve operational efficiencies and financial benefits, this was not a primary motivator. All agreed that there had to be not only an operational vision for the merger, but a programmatic one – that the new organization needed to have a unique value proposition. "I wanted to be able to tell my staff that, 'When we're done, we'll be able to do all these things that we could not have done as separate organizations,'" Dr. Babcock recalls. Understanding the work it would take, and the considerable demands it would make on staff, she felt that it was important that staff be able to see

The Leadership Factor

Executive transition can be a precipitating factor for merger or other forms of strategic restructuring. For Crittenton and TWU, it enabled board leadership and senior staff to think more expansively about how to serve low-income women and their families. The realization that this could be best achieved through merging, in turn, attracted the top-notch staff leadership that CWU would need to make that vision a reality.


The merger might not have occurred had not both board Chairs recognized a common opportunity in their respective leadership transitions and taken action by meeting to share their experiences. Ms. Murray recalls of their first such dialogue: "We met for lunch and ended up talking for three hours." This set the stage for further conversation among both boards about partnership options. Bringing together two boards with different group cultures to craft a shared vision was a challenge, but strong board leadership set a positive tone that enabled them to work through tensions and make strategic decisions.

It was the decision to merge that brought the executive search to a successful conclusion. To capture the attention of the candidate with the skill, energy, and vision desired, the organizations had to offer an opportunity that was more compelling than each could promise on its own. Attracted by the prospect of leading a combined organization, Dr. Babcock accepted the offer only after a document was signed confirming their intent to merge. She was hired by both organizations to serve as part-time CEO to each during the merger process, preparing for a seamless transition to the leadership position at CWU.

¹ "United for women's lives." Globe Editorial. *The Boston Globe*. (March 14, 2006.)

how their work and the clients they serve would directly benefit. This vision would not only be critical for bringing staff along and helping her team get through the challenges ahead, but also set the stage for the organization's future success.

CWU used the opportunity posed by strategic restructuring, combined with the energy and talents of a new CEO, to radically rethink its vision of what it was working toward and strategies it would use to get there. In bringing together the programs, research, and advocacy capacities of Crittenton and TWU – functions that, prior to the merger, had been operating with very separate agendas – Dr. Babcock saw that, “We could go from delivering services to the poor to innovating new pathways out of poverty.” She describes how CWU's organizational strategy seeks to tie together research and practice in a dynamic cycle of learning and innovation, allowing the organization to reflect on its work, import best practices, test new innovations, and make public what it learns in the process, inspiring systemic change. CWU's guiding vision, and the steps it has taken to make it real, has added value to the organization's work such that would not have been possible prior to the merger.



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Pamela Murray
CWU Board Chair



CWU's success can be attributed in part to the quality of involvement from the board, CEO, staff, and clients in not just restructuring, but restructuring strategically:

- Board members were well prepared to have conversations about collaborative options;
- The CEO was in a unique position to be able to propose, and deliver on, a fresh new vision;
- Staff were entrusted with helping to define the opportunities posed by restructuring; and
- Clients were kept front-of-mind as the primary beneficiaries of the merger.

Having a board that was willing to take the lead in posing a merger option was a particular advantage. Ms. Murray

acknowledges that often it is the board itself that can be a barrier: “Board members somehow get this idea that if they're the ones who close an organization, they're failing or not doing their fiduciary job,” she says. “But I would ask: Are you staying true to the *mission*, or to a corporate structure?”

Using Restructuring to Accelerate Innovation

Although merger is often talked about in terms of increasing efficiency and streamlining operations, it is rarely a route to net cost reductions² – but it *can* be hugely effective in reallocating costs for greater strategic impact. Such was the case for CWU. Having reduced duplication in some overhead costs, the newly merged organization redirected those resources to enhance the quality of program delivery, invest in technology improvements, and develop new and more responsive programming.

CWU hired additional licensed social workers to work directly with clients and provide training to other staff, boosting the clinical quality of its programs. As a result, it now brings a higher level of expertise to both its front-line work and to its role as a leader in the field. CWU also made website revisions and upgrades, developed online tools, established a social networking presence, and implemented a robust outcome tracking database – all of which have added value to client services and created a technology infrastructure upon which the organization can continue to build. In addition, the organization was aggressive in taking stock of its programs, electing to discontinue several in order to develop new ones. Each of these strategic investments – clinical quality, technology infrastructure, and new programs – have been central to CWU's business model emphasizing innovation and accountability, and its goal to secure its place as the “go to” resource for women and families seeking economic independence.

The boldness with which CWU went about assessing and refreshing its program portfolio paid off with dramatic results. Using the merger as an opportunity to take a close look at the fit between its programs and the new organizational vision and strategy, CWU made a commitment to focus its efforts on those programs that best aligned with its mission and that it had a unique ability to deliver well. The organization identified programs it wished to let go, and transferred several of these to nonprofit partners with whom they might better flourish. As a result, the loss to the community was minimal, which was a top concern throughout CWU's decision-making process. At the same time, this freed up

² For more on the costs of merger, see: “Merging Wisely,” by David La Piana. *Stanford Social Innovation Review*. Spring 2010.
http://www.ssireview.org/images/articles/2010SP_Feature_Merging_Wisely.pdf

CWU resources to develop new programs capitalizing on the merger, CWU dismantled \$1.5M in programs that were no longer mission-critical, and by 2010 had developed \$2.5 of new programming – effectively growing its budget from \$8M to 11M during the historic economic recession that began in late 2008. Dr. Babcock credits this growth to the strategic restructuring: “That never would have happened had we not merged.”



Photo: Participants in CWU's *Career Family Opportunity* program join nonprofit partners, South Boston Grows and The Shire, to build a community garden fostering self-sufficiency and providing nutritious foods for their families. June 2010. All Rights Reserved: CWU.

As already noted, cost savings are hardly the norm when it comes to merger. Recognizing this, CWU leadership tempered its expectations to take into account not only the potential for efficiencies, but the necessary investments that would need to be made. In fact, the organization initially projected a deficit in its first year post-merger, which prompted a conservative approach to taking on large expenditures, including the delay of some key new hires. Only because it had greater than expected success in attracting funds to support the new organization was it able to actually post a healthy surplus that first year. In hindsight, Dr. Babcock notes that the decision to delay hiring an HR director, in particular, is one she might not repeat given the importance of HR management issues in merger implementation. But this just serves to highlight the many difficult trade-offs that must be negotiated by organizations engaged in strategic restructuring and facing the uncertainties of a new operating environment.

CWU leadership is both appreciative of what the organization has been able to achieve through strategic restructuring and cautious about overstating the case for merger. Dr. Babcock describes three ways in which having merged helped her organization weather the recession and achieve the degree of success it has had. First, the larger size and scale of the new organization gave CWU more flexibility in how it made cuts, shifted

staff, and otherwise adapted to the downturn, helping it to avoid major layoffs. Secondly, the investments that the merger allowed the organization to make in developing clinical quality enabled it to better maintain funding from government sources. Finally, CWU's development of innovative new programs helped it to compete more effectively for limited philanthropic dollars. At the same time, both she and her board Chair are concerned about some of what they hear coming from the sector advocating merger. Dr. Babcock shares that both merger and collaboration “require huge investment [that] you should only make when you have a clear vision of what you want to accomplish in making that investment.” Ms. Murray, too, is quick to challenge the bias that views merger's value strictly in terms of efficiencies or cost savings. “If that's what you're looking for, you're going to squander the *real* benefits of merger: the bringing together of all the resources you're getting out of it.” It is this understanding, and the strategic vision that Dr. Babcock spearheaded with her staff, that makes this merger a model of how strategic restructuring can take a combined organization to a new level of impact.

Neither Crittenton nor TWU had been looking to merge, but by recognizing the strategic opportunity posed by circumstances and timing, they were able to engage in an alliance that has yielded exponential benefits. The readiness of board members to consider a merger and the leadership demonstrated at all levels of the organization in defining a strategic direction for CWU, have made the organization truly “greater than the sum of its parts.” Today, CWU is looked to as not just the “go to” resource, but an expert, convener, and leader in the community – in many ways fully realizing Ms. Murray's restructuring vision of “an organization that, with every dollar it has, is being more impactful than it was before.”

About La Piana Consulting

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Written by Melissa Mendes Campos, with Jo DeBolt and Robert Harrington, this case study is one in a series of snapshots about The Collaboration Prize 2009 Finalists. La Piana Consulting managed the design and implementation of The Collaboration Prize for the Lodestar Foundation in its inaugural year, and is proud to again be involved in 2011. For more information, visit <http://www.thecollaborationprize.org>.