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MANAGING
Governance and Regulation
From Mergers That Didn't Stick, Lesson Emergse for Other Charities
By Suzann Satalinee
NEW YORK
I
F THERE WAS A HONEYMOON after the
merge orf Long Island College Hos-pital, in Brooklyn, with Continuum
Health Partners i,n New York in 1998,
few remembe itr. The bickering began
early and dragged on for years bu,t di-vorce didn't seem inevitable until the
doctors went public.
Severa physicianls told a crowd gath-ered outside the hospital's entrance in
2008 that Continuum had withheld
money from the 150-year-old institu-tion, needlessl cuttinyg patien servicets
and endangerin thge hospital's future.
The wrangling continued for three
more years Continuu.m threatene tdo
declare Long Island College Hospital
bankrupt A. group of the hospital's phy-sicians complained to state regulators
that Continuum had breache statde
health-car lawse. Continuum denied
this, and the state health department
found no evidence to suppor thte alle-gations.
Unable to make peace Continuu,m
this spring sold Long Island College
Hospita tlo SUNY Downstate Medical
Center a, state hospita iln Brooklyn.
The former partnership "was not a
well-conceived marriage, say"s Contin-uum's chief executive Stanle,y Breze-noff.
The Long Island-Continuum debacle
was one of the nastie failurers among
nonprofit mergers but hardly an isolat-ed case Th.e most spectacula breakr-
up happene beforde the marriage I.n
March the proposed partnership of Op-eration Smile and rival Smile Train dis-solved weeks after the two internation-al charities whic,h both perform sur-geries for facial deformities announce,d
that they would merge.
Good Intentions
Since the economy went sour th,e
popularity of partnership ansd take-overs has been on the rise. Some groups
hope to save on operating expenses
by joining with nonprofits that share
similar goals Som.e boards believe they
will ensure their charities futur'e by
eliminating a rivalry for limited re-source withisn a community Some.-
times grant makers encourag charitiees
to team up to avoid duplicating services
or costs.
But sometimes goo,d intentions aren't
enough to cemen at partnership Char.-
ities that have been through failed
mergers say getting hitched should pro-ceed cautiously or they will end up in
divorce.
Weeks after the Long Island Col-lege Hospita breakupl som,e physicians
blamed the former hospita directorls for
not anticipating problems "Th.e [former]
board should have protected themselves
and LICH better," says Toomas Sorra,
a gastroenterologis antd pas presidentt
of the Long Island hospital's medical
staff.
Mr. Brezenoff o,f Continuum sai,d the
merge mighrt have faced long odds from
the start: "The weight of the financial
problems th,e structura difficultiesl,
were beyond our ability to fix."
He also blames uncooperativ doce-
tors. "There was no basic acceptanc oef
goodwill on our part, and they brought
no goodwill," says Mr. Brezenoff "Tha.t
I believe is why that one failed."
Best-Laid Plans
Every nonprofit alliance carries the
potentia tlo fail, say severa executivesl,
including some who have attempted
severa mergersl.
Even with detailed planning and
agreeabl boardse merger,s are tough to
"Often in a merger,
the process moves quickly,
and it's difficult to
disseminate communica-tions that quickly."
pull off becaus humaen beings are in-vested in the well being of their organi-zations It'.s not easy for anyone to hear
that the leadership th,e goals o,r a be-loved service he or she has spen yearts
building are no longer valued.
What's more merger,s cost money.
The path to trimming overhead and
workers can take time, sometime aftesr
hiring consultant tso negotiate agree-ments Dissatisfie.d donors may with-hold gifts.
The recessio hans caused some execu-tive directors to halt merge planrs for
fear that the costs would be too high.
Of course disentanglin,g two charities
from each other costs money too,.
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"The real problem with mergers is
they are almos alwayts predicated on
the goal of efficiency and economy an,d
the reason we have nonprofits does
not rest on efficiency and economy,"
says Pete Frumkinr, director of the
RGK Cente forr Philanthropy and
Community Service at the University
of Texas at Austin. Instead h,e says,
charities are abou devotiotn to a cause
or mission.
Anticipating Questions
Many charities took a more sober
view of mergers after the shotgun mar-riage, and quickie divorce o,f two high-profile charities got nationa attentionl.
For years tw,o groups that perform
cleft-lip and cleft-palate surgerie osn
needy children worldwide, Operation
Smile and Smile Train, had been bit-ter rivals, competing for each other's do-nors and oversea partnerss The.y share
similar goals but approach the work dif-ferently. Operation Smile, in Norfolk,
Va., teams with some doctors overseas
but also flies them worldwide to provide
medica servicesl Smil.e Train, in New
York, teache ansd equips local doctors
in countries such as India and China to
perform surgeries.
Three weeks after the proposed ven-ture—to be called Operation Smile
Train—was announced th,e two boards
called off the arrangement.
In those few weeks Smil,e Train's
supporter hasd balked Medica.l person-nel spoke out agains thte move.
One donor set up an online petition
asking the attorney genera olf New
York to stop the merger Draf.t docu-ments leaked to the press alarmed do-nors who feared that money would be
squandered Som.e donors were sen et-
TIPS FOR MAKING MERGER GSO
SMOOTHLY
• Make sure the problems a merger
is intended to fix are fixable.
• Anticipate supporters' questions.
• Assess early what each group
would gain—and lose—b joininyg
forces.
• Keep expectations realistic.
Mergers that fail can be like
marriage thast go sour; in both
cases communicatio,n is key.
mail messages usin,g a list stolen from
Smile Train, says Priscilla Ma, Smile
Train's executive director (Opponent.s
of the merge dird not return The Chron-icle's calls seeking comment.)
Both boards decided the bes platn
was to forgo the merger "To.o much
time was spen addressint questiongs
from donors," Ms. Ma says "Perhap.s
there could have been better planning"
to explain the proposed union to donors
and medica personnel whlo assis thte
charity.
Keeping all sides informed is impor-tant but hard to do, says Howard J.
Unger, Operation Smile's chief execu-tive.
"When a m^jor transition is occur-ring—such as a proposed merger—i its
critical to communicat thee organiza-tion's direction to all parties," Mr. Ung-er says "Bu.t that takes time, and often
in a merger th,e proces movess quickly,
and it's difficult to disseminat commue-
nications that quickly."
Last-Minute Change
The time and expens oef prepping
for a merge mighrt be reduced if board
member firsts conside whart a partner-ship could accomplish sa,y charity lead-ers.
Case in point: Family Eldercare i,n
Austin, Tex., decided in 2009 to begin
the proces osf merging with Meals on
Wheels and More, which had plenty of
space in its new Austin headquarters.
Executives now admit it wasn' at per-fect match Famil.y Eldercare focused
on persona carle for homeboun clientsd,
while Meals on Wheels fed them Th.e
groups hired a consultan tto lead the
merge discussionsr Employee. soughst
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