

## NONPROFIT MERGERS IN THE ARTS: A CASE STUDY

By Stefan Toepler, Cara Seitchek, and Theresa A. Cameron

**STEFAN TOEPLER** is Assistant Professor of Nonprofit Studies in the MPA Program, Dept. of Public and International Affairs, George Mason University.

**CARA SEITCHEK** is the Foundation Relations Officer at the Woodrow Wilson International Center for Scholars.

**THERESA A. CAMERON** is the Executive Director of the Arts and Humanities Council.

All three authors participated in the merger discussed in this paper in various capacities. We are deeply grateful for the many comments of executive committee members who have reviewed earlier drafts. The views and opinions expressed here, however, are solely those of the authors and do not reflect the opinion of the organization, its board or other stakeholders involved in the process.

The era of corporate consolidation that hit the U.S. economy in the 1980s picked up steam again in the late 1990s with a new wave of mergers, including such mega-mergers as Daimler-Benz and Chrysler, Time Warner and AOL, and Citibank and Travellers Group. Corporate mergers are typically driven by efficiency considerations, the need to reduce costs and seek synergies, as well as strategic decisions to consolidate market positions, expand into new or emerging markets, and stay competitive in an increasingly globalized economy. As the nonprofit world is usually not thought of in bottom-line or competitive terms, at the surface, the merger issue would not appear to have much bearing in this field. Hailing the recent merger between Second Harvest and Food Chain as “one of the largest in the history of U.S. charity,” the *Wall Street Journal* accordingly noted: “Throughout the 1990s, countless corporations have sought to become more efficient and profitable through consolidation. But the urge to merge rarely affected the world of charitable organizations” (Eig, 2000, p.B1).

Both statements—that mergers rarely affected nonprofits in the past and that this particular merger was the largest in history—are open to debate, however. *The Nonprofit Times* reporting on the same merger accordingly stated “[t]he recent merger between America’s Second Harvest and Foodchain may not be the largest merger in nonprofit history ... The nonprofit world is familiar with watching large nonprofit hospital mergers ...” (Gardner, 2000, p.1). The significance of this nonprofit merger, according to consultant Thomas McLaughlin quoted in this article, rather lies in the fact that it symbolizes that “it’s not just hospitals and mega-nonprofits merging anymore. Ordinary, medium-sized organizations are looking at this as well” (ibid.).

The issue of merging nonprofits dates back to the 1980s (Singer & Yankey, 1991) and is thus not a completely new phenomenon. However, the frequency with which this issue is coming to the forefront has significantly increased in the last 1990s, as have attempts to analyze nonprofit mergers in the literature or to provide how-to guidance (La Piana, 2000; McLaughlin, 1998). Beyond the considerable body of information and analysis available on mergers and acquisitions in the health care industry (see, f.i., Kamrad-Marrone, Stabile, & Smeltzer, 1999), most of the analytical heft appears to concentrate on the social services field (Golensky & DeRuiter, 1999; Singer & Yankey, 1991; Taylor, Austin, & Caputo, 1992; Wernet & Jones, 1992). With few exceptions (see, f.i., Kohm, La Piana, & Gowdy, 2000), cultural institutions have so far been less well covered. To a degree, this is perhaps not too surprising, since health and social services are among those fields of nonprofit activity that are most clearly marked by rising commercialization and for-profit competition (Salamon, 1999). In a more

market-based environment with growing competition, nonprofits may arguably be more prone to adopt corporate consolidation strategies (Golensky & DeRuiter, 1999). Another feature of the merger literature is that it frequently concentrates on sizable organizations with considerable staff and that the merger partners are of the same (nonprofit) ownership form.

In this paper, we discuss the merger between two relatively small cultural organizations: the Arts Council (AC), a nonprofit local arts agency, and the County Commission on the Humanities (HC) that operated until the merger under the auspices of the county government. The paper evaluates the merger against the body of knowledge that has been generated over the past decade and draws some lessons specifically for smaller organizations considering this option.

## **Background**

The Arts Council (AC) was incorporated in 1976 after the County Council authorized the County government to assist in the establishment of a “County-based, nonprofit organization to develop, promote, and coordinate a County-wide effort for the support, encouragement and performance of the arts.” Over the more than 20 years of its existence, the AC had grown from one part-time employee originally to a full time professional arts administrator and two support staff, with a budget of more than \$600,000 by 1998. Its key programs included grantmaking, advocacy, communications, and membership. By 1999—the year the merger issue emerged, AC was under new leadership and in process of evolving from a small, grant-making organization to a larger advocacy organization with an increasingly pro-active focus and a growing reputation in the county. Perhaps the most significant manifestation of this was the launch of a first-ever community cultural effort.

The County Council established the Commission on the Humanities (HC) by law in 1984 to encourage, promote and provide humanities programs to County residents. The Commission fulfilled its mission by co-sponsoring and funding humanities programs. Throughout the years, the Commission sponsored grants to organizations and individuals for humanities programs as well as sponsoring an annual lecture and a scholarship fund. Partially supported by administrative staff of the public library system, the organization of HC activities as well as funding decisions were handled by the Humanities Commissioners themselves. On balance, the HC tended to make small grants to a variety of humanities organizations and activities. Total grants of the HC amounted to \$30,000 in the year before the merger. Placed under the aegis of the public libraries and without the attention of dedicated full-time staff, the Humanities Commission was beginning to stagnate.

## **The Urge to Merge**

An organizational merger, defined as the integration of two independent organizations into one, is rarely among the first strategic options that nonprofit organizations consider when faced with environmental uncertainties. Mergers are rather the last resort after other strategic choices are exhausted (Singer & Yankey, 1991). Broadly speaking, there are two types of external pressures that might force nonprofit organizations to consider mergers, collaborations, or alliances:

- Firstly, increased turbulence in the institutional funding environments—caused, f.i., by changing contracting regimes or reimbursement schemes—and increased competition between nonprofits and nonprofit and for-profits in a given market (Golensky & DeRuiter, 1999); and
- Secondly, pressures exerted by a dominant funding source, typically aiming at economizing and streamlining service delivery and preventing struggles for available funds (Schmid, 1995).

With the Arts Council and the Humanities Commission both funding bodies and as such not subject to competitive economic pressures, the driving force behind the merger was the County government as the dominant funding source: The Humanities Commission operating under the County's auspices was exclusively financed by the County and County appropriations accounted for two-thirds of the Arts Council's revenues in FY 1998. In early 1999, the County government had concluded a review of the status of the Commissions that they funded, and decided that the Commission on the Humanities was not a proper vehicle for providing funding to cultural organizations. In an effort to streamline and reduce the number of government commissions and agencies, the Humanities Commission was therefore asked to explore other governance options so that the County would not be directly supporting their activities. Several entities in the County were approached as possible partners for the Commission, such as the community college, the Arts Council, and other non-profits. After reviewing possible options, the Humanities Commission approached AC in the summer of 1999 with a proposal of merging the two organizations. The Commission was interested in the Arts Council because both offered programs and services similar in nature and focus. Working with the Arts Council was considered beneficial in ensuring a long-term ability to provide humanities and arts opportunities for county residents.

## Incentives

While environmental turbulence and pressures force organizations to consider a merger strategy, the choice of a merger over other options is typically based on a conscious strategy that takes into account a number of resulting incentives, including improved organizational efficiency; more effective client services; improved funding base and less competition for resources, greater organizational stability through aligning weaker with stronger organizations; increased market potential, and enhanced community image (Golensky & DeRuiter, 1999; Singer & Yankey, 1991). Although in this case the merger was not a fully self-selected strategy, at least on the part of the HC, some of these benefits and incentives were still present for both the HC and AC.

The Commission on the Humanities was intent on preserving programs and the services it offered to their clients, but needed the support of the Arts Council to privatize their organization by affiliating themselves with a similar, but stronger organization (Golensky & DeRuiter, 1999), thus ensuring if not organizational, but program stability. In addition, the Arts Council had a good reputation and positive visibility in the County and with the County government, which would contribute to an enhanced community image for humanities programs as well as an improved funding base.

For the Arts Council the merger benefits and incentives were somewhat less pronounced, but still existent. AC decided that it would be able to broaden the services it provided to the county and that the merger would allow AC to grow in responsibility and become more inclusive in serving the community. More effective client services; greater "market" potential (or more appropriate in this context, a greater client base and better outreach into the larger cultural community beyond the arts); and the concomitant

potential for further enhancing the Council's community image and visibility were thus among the recognized benefits of a merger. In addition, both organizations could pursue more funding opportunities, combine their membership bases and increase their financial stability. Moreover, the AC's decision to consider the merger was also strategic. An accommodation of the County government by helping to privatize the Humanities Commission also promised AC an increased advocacy role in addition to higher levels of County support for the organization.

In sum, although neither organization had foreseen the merger as part of a self-selected conscious strategy, there was enough of a strategic fit in terms of the complementarity and augmentation of the organizations' overall strategy (Wernet & Jones, 1992) to justify the further pursuit of this option. In other words, from a strategic perspective, the merger conditions were perfect.

## **The Merger**

With the merger benefits and incentives, apart from the political considerations, of lesser strategic importance for the Arts Council, AC decided to proceed cautiously. Both organizations began to discuss the possibility of a "trial affiliation." After careful review, the AC's Board recommended that the two entities create a task force that would study the merger and how it would be accomplished. The task force would be composed of representatives from the both organizations, and would elicit the assistance of a consultant in order to assess the overall feasibility of the merger, but also to explore other options that might be a better solution. The task force would consider staffing, programming, and administrative needs. If a merger was found to be acceptable, the task force would then outline a process for a merger to occur. It was expected that the evaluation process and "trial affiliation" would last for about a year before a recommendation would be made.

However, in the Arts Council budget deliberations with the County in the spring of 1999, the County decided that they would not fund the Commission for another year nor a year-long evaluation phase, but requested that the two organizations present a proposal for the merger by May 5, 1999. The two organizations thus agreed to merge without the benefit of the year-long evaluation and trial. The merger process began in July 1999 with an orientation session for the Humanities Commissioners to familiarize them with the Arts Council and its programs. Joint board meetings were used as educational opportunities to create one board out of two.

The Arts Council formed a transition committee to facilitate the merger, comprised of members of the AC's board, Humanities Commissioners as well as representatives of humanities organizations and members of the public. The transition committee began work on revising the policies and procedures of the two organizations to make them one. The first priority was to develop new guidelines for providing humanities funding to the County. The two organizations had used different processes to solicit, review and grant funding to county organizations and individuals. These differences were incorporated into one format using the former Arts Council's guidelines as the standard. In essence, the principle of outside panel review of proposals was adopted in accordance with the Arts Council's prior funding practices, and the HC practice of review and deliberation of each individual proposal by the Commissioners was abandoned.

Although the initial plan for the evaluation phase had foreseen the hiring of an outside consultant to facilitate the decision-making process, the haste of the merger on the County governments request

necessitated to proceed initially without independent advise. Only after the merger process was well on its way in November 1999 did AC learn about an in-kind grant opportunity offered by the state nonprofit association for technical assistance on topics such as board development, grant writing, governance and legal issues. AC applied and received the in-kind grant, and the state association consultants began to assist in the merger process. For the two organizations, the state association provided an objective, third-party view of the problems and issues created by the merger and proved instrumental in organizing the process. The process was lengthy but well-organized. The consultants began to lead the two boards through the process of creating the policies needed for the merger. The process included interviews with former commissioners, both one-on-one and with representative groups from both boards. All legal documents were reviewed, and a board retreat was organized. Several issues needed to be addressed for the merger to occur.

As one of the first steps, the transition committee with the assistance of the state association reviewed the legislation merging the organizations. Legislation was necessary because the HC was a government organ and the AC the legally designated arts funding agency of the County. Committee members submitted comments, which were then used to revise the legislation. The final legislation was approved in November 1999, with the proviso that the bylaws of the organizations be reviewed and updated, as well as other policies relating to the two organizations.

One of the most important issues was then the revision of the bylaws. The current bylaws of the AC were used as the template. Many old and outdated processes no longer followed by AC were eliminated and new language created. Since the Council was the officially designated funding agency of the County, the county council attorney required the new organization to conform to certain legal requirements. One new requirement for the board was to conform to the ethics laws in the county. This meant the board had to file financial disclosure forms relating to their arts and humanities interests in the County. Another new requirement was to ensure that all meetings were held in accordance with the open meetings laws for the state. Accordingly, a new code of ethics was inserted into the bylaws as well.

The size and composition of the board was also evaluated. With the two boards combined, the current board was too large and unwieldy to be efficient (25 Art Council board members and 10 Humanities Commissioners). A method for paring down the board through attrition was created. The Committee structure of the AC board was discussed and incorporated into the bylaws. Several discussions took place regarding how to make the board reflect the community it serves. In order to address this issue, new nomination and recruiting procedures were created. These changes were reflected in the board orientation, which was created from these changes, as well as the provision for future board development.

A retreat meeting helped the board create and revise a new mission statement reflecting the missions of the two separate organizations. The consultants led the board through an activity that helped them review and analyze the purpose for the existence of both organizations. The intent of the mission statement is to drive future plans and goals of the council. The AC board had been evolving into a policy setting board with less of a hands-on approach to the AC activities. The Commission had not reached this point in their development, but after merging, the two, now one, organizations decided to continue this trend. Another subject of great debate was the name of the merged entity. At a board retreat, several potential names were discussed—including Cultural or Cultural Affairs Council, as recommended by the consultants for the community cultural plan that was underway in the county at the same time--with the final result nevertheless being “Arts and Humanities Council” (AHC). The new name had considerable symbolic importance and was meant to signal that both aspects of the new organization’s work (arts and humanities) would continue to be represented.

After the retreat, the executive committee reviewed the information from the retreat and finalized the mission statement. The bylaws were reviewed and decisions made on the organization and structure of the board. Next, the County Council and the County Executive reviewed the proposed by-law changes, and finally approved them with some minor changes. In the spring of 2000, the formal merger was completed meeting the deadline set by the County government.

## **Critical Issues**

The initial outcomes were promising. After the merger, the new organization received increased funding from the County government to provide more grants to the cultural organizations housed in the county. In addition, funding was provided to increase the staff of the Arts and Humanities Council in order to serve the public better and more efficiently. On balance, the change was also being welcomed by the county's humanities organizations. In addition to greater resources and an organizationally stable home for their funding programs, humanities organizations also benefit from changes in the funding procedures. The former Humanities Commission, as a government body, was only able to reimburse expenses after they were incurred—a cumbersome process bound to cause financing and cash flow problems. The new Arts and Humanities Council as a nonprofit, by contrast, is not bound to such rules.

While the merger was thus successful from the perspective of the “strategic fit,” a number of significant problems continued to linger regarding the “organizational fit.” Wernet and Jones (1992) describe the organizational fit as comprising two elements: “The first element is the stakeholders, that is, the people who negotiate the merger or acquisition . . . The second element of organizational fit is the negotiation process itself” (p.369). One key stakeholder group in merger negotiations are typically the staff of the organizations involved. Apart from difficult power negotiations over which of the executive leadership of the old organizations will lead the new one, mergers frequently lead to anxieties over job loss, career opportunities, supervisory and authority relationships and so on among executive and non-executive staff (Taylor et al., 1992). Results of these uncertainties often include high turnover, low morale and other disruptions of the work routines (Singer & Yankey, 1991).

### *Organizational Stakeholders*

Since the HC did not have dedicated staff in the first place, none of these problems played out at the staff level in this case, which may have contributed to the ultimate success of the merger. However, similar issues surfaced in force at the board level—the second key stakeholder group—and put, for a transition period, significant strains on the organization. McLaughlin (1998) describes three typical concerns of boards engaging in a merger: concern for the mission; loss of identity; and loss of services. To an extent, all of these concerns were present, although not always clearly differentiable. Importantly, moreover, these concerns were not universal, but mainly affected a few former Humanities Commissioners that stayed on the board of the newly merged organization. While the source of the discomfort of these board members was not fully clear to other members, it did result in tensions in the post-merger period. While the overall strategic fit appeared to be close, there were two key underlying issues in this context that were not fully recognized and addressed early in the merger process and kept festering while the process gained “escalating momentum” (Jemison & Sitkin, 1986): the issues of trust and organizational culture.

## Trust

Although initial measures were taken to familiarize both groups with each other, such as joint board meetings, there not enough time to build trust—a key element in all kinds of partnerships. From the humanities standpoint, there were, however, a number of legitimate concerns in the face of the considerable uncertainty the Commissioners were facing vis-à-vis the arts council. Although the overall visibility of the arts in the county is far from being as extensive as in metropolitan areas, both in terms of number and size of organizations, the arts have a considerably larger presence than humanity activities. Moreover, the County’s commitment to arts was both longer-standing and significantly higher than to the humanities, as evidenced by the substantial differential in the prior appropriations to AC and HC. Merging the Commission’s humanities programs into the older and considerably larger Arts Council constituted the potential threat that humanities activities were gradually losing their identity and would rank low on the priorities list of the new arts-dominated organization, which in turn could lead to a loss of humanities services in the county over the long run. In a special section on the humanities, the consultants for community cultural planning effort that went underway in the county during the merger brought these concerns to a point in their draft recommendations, noting

The former members of the Humanities Commission are extremely sensitive to the way their agency’s termination might be perceived. They do not want it merely to be subsumed under the former Arts Council. Nor do some of the more thoughtful former Commissioners want its programs to be become mere adjuncts to artistic exhibitions and theatrical performances, even though, admittedly, some of the Humanities Commission’s most widely attended programs have often had that specific objective ... Concerns about *raising the profile of the humanities*, which were repeatedly expressed in terms of protecting the humanities as the larger Arts Council begins to embrace the functions of the Humanities Commission, were universal.

While the overall stakes were lower for AC, the board decided at the beginning to invite all Humanities Commissioners willing to continue to serve to its board as a welcoming gesture. Given the great disparity of resources that both organizations brought to the merger, this approach was not necessarily a given; cases of nonprofit mergers where board slots were determined by the economic position of the merging organizations have been known in the past (Wernet & Jones, 1992). Moreover, during the process, emphasis was put on both symbolic gestures (e.g., avoidance of using “the arts” as a shorthand during board discussion and the deliberate use of “arts *and* humanities” instead) as well as structural arrangements (e.g., the appointment of former Humanities Commissioners to key board committees beyond the transition committee). However, although the arts council board members to address these concerns, these measures did not completely alleviate deep-running concerns of some former Humanities Commissioners. For some of them, the suspicion that the former Arts Council board members or even newly appointed members would not be sufficiently committed to, or even knowledgeable enough about, the humanities remained. To be sure, building trust takes time and the originally envisioned one year evaluation and trial phase could conceivably have contributed to the alleviation of some of these concerns. As things were, however, even the best and most sincere efforts and gestures were not sufficient to bridge the gap completely at the time.

## Organizational Culture

Beyond the fear that the humanities would be pushed to the sidelines in the new arts-dominated organization, Humanities Commissioners had also to adapt to a new organizational culture that was fundamentally different from that of the former HC. With no dedicated staff and a small budget, the former commissioners were much more directly involved with the grant-making process and doubled

“as the staff” to review proposals and make recommendations to the entire commission. The culture was accordingly deliberative, decisions were immediate transparent and made by the whole group, and the commission also functioned as a social organization. In the former Arts Council, as a much larger and more complex organization, the board had evolved into a policy-making organ that had delegated the day-to-day management to dedicated staff and the preparation of grantmaking decisions to a peer review process with outside panels. The board was also considerably larger and much of the key work was performed in committees. Another fundamental difference in the culture of the two organizations was the institutional constituency focus. Although the Arts Council maintained a small-grants “Organization Enhancement” program for small organizations, the majority of its support was earmarked for a limited set of large arts organizations in the county. The HC, by contrast, did not focus on institutions with the capability to deliver highest quality humanities programming, but most Commissioners interviewed in the context of the cultural planning effort “preferred to continue a small grants program, disbursing funds to as wide a set of organizations as possible. They reasoned that the most appealing programs ... would emerge from grass-roots organizations and those most closely attuned to specific communities.”

During the merger process, it was essentially a given that the newly merged organization’s governance structure and culture would mirror that of the former Arts Council. Even from a purely technical perspective, conducting the new councils much more extensive operations in the former commission’s fashion would not have been feasible without overtaxing the board. While some of the former Humanities Commissioners adapted quickly to the new culture, others did not and tried accordingly to get involved in the day-to-day operations of the Council, such as editing documents, requesting line item votes on board issues, or demanding a full board review of all grant applications. Unfamiliarity with the governance demands of larger, formal organizations in turn emphasized the feeling that the culture and procedures that had worked for the HC were disregarded in favor of the culture and procedures of the former Arts Council. What was in essence a small vs. large organization issue thus turned partially into an “us vs. them” issue, further fanning frustrations on the board and to some degree taxing the existing goodwill.

### Negotiation Process

Against this background, board composition emerged as the single most contentious issue during the negotiation phase. The combined board had already become too unwieldy with 25 former AC members and 10 Humanities Commissioners. In addition, the terms of some AC board members were to expire by the end of 1999. Due to its status as the designated arts funding agency of the County, AC was required to seek a board composition largely reflective of the county’s communities and had used notices in local papers as a way of recruiting board members that represented the county. Following past practices, the Council set the usual nominating process into motion in the fall with one former Commissioner and an outside humanities representative added to the nominating committee.

The Nominating Committee considered new nominations resulting from the publicized call for nominations as well as all Humanities Commissioners serving on the board for re-nomination, and brought forward recommendations for a number of new members, but only some of the former Humanities Commissioners. This set off a considerable protest, as it had been the understanding of the Commissioners that they all would automatically be re-nominated, whereas the understanding of the rest of the board had been that the Commissioners had only been invited to the board in the summer of 1999

until the nomination process in the fall. To avoid a stand-off and further frustrations, the board reversed the committee's recommendations and all Commissioners were re-appointed to the board.

Nevertheless, the appointment of new members also went forward and, while there had been some resignations, the total number of board members increased, rather than decreased, to 36. Typically, situations like this leave two standard options: Placing a cap on the current size and achieve a reduction of board members through attrition; or introducing staggered terms (McLaughlin, 1998). Attrition was ruled out early, because otherwise it would have been years until new community representatives could have been appointed to the board. Also, waiting for the board to slim down through attrition might have further encouraged a "continuation of any Us vs. Them feelings" (McLaughlin, 1998, p.127) and postponed the gradual replacement of the old arts and humanities members with a new generation of board members joining an arts *and* humanities council.

To deal with this problem, the state association consultants developed an alternative staggered-terms proposal in which the longest-serving members of both former organizations would be allowed to stay on for one more year and the remaining terms of the other members were determined by the length of prior service until the new maximum cap of 25 for board slots—instituted in the newly revised by-laws—would be reached. After that cap was reached, the usual board terms of two years with a possible re-appointment for another two years, that were in place with the Arts Council, would kick in again. The advantages of staggered terms include a faster turn-over than attrition and "[s]tretching the transition period over a longer time may [also] ease the stresses associated with a change in control" (ibid., pp.127-8). With some of the former Commissioners concern that both knowledge about, as well as concern for, the humanities on the board would begin to wane if they were to leave, the change of control issue appeared indeed at the heart of the matter. Unfortunately though, the introduction of staggered terms in this case did not ease "these stresses," as the former Commissioners had served without term limits in the Commission, had therefore the longest record of serving, and many more of them were to be rotated off the board than members of the former APMC's board. This in turn reinforced the perception that the process was principally designed to move humanities representatives of board rather than finding a more equitable solution that would have allowed former Commissioners to share in the control of the organization for a longer period of time. After some critical debate, the board approved the staggered terms proposal with three nay votes.

In sum, a key mistake in the process was made during the nominating process, which in turn was due to a failure to fully clarify the issue of board composition and the terms of the transitional board early on. Combined with the lack of trust of some of the former Commissioners in the willingness and capabilities of the new organization to properly accommodate and appreciate the humanities and the incompatibility of the organizational cultures of the two organizations, board dynamics took an ugly turn and led to a reinforced rather than mitigated polarization of board factions—a situation that effected the board management and morale, weighed on the executive staff, and affected the governance of the new organization. However, within a year, the former Humanities Commissioners who had the greatest difficulties with the merger had either rotated off the board or had resigned, as did some of the former Arts Council board members. After a long time of at times contentious meetings, the new organization and its board were finally able to settle into its new routines and procedures.

## Conclusion

As Wernet and Jones (1992) as well as others have argued, merger strategies tend to focus on the strategic rather than the organizational fit between the organizations, although the “human side” of the process may be equally, if not more, important for the success of mergers (Buono & Bowditch, 1989; Taylor et al., 1992). To the extent that this has been recognized in the literature, the focus on the people and processes end of the merger issues has mostly focused on the effects on the merging organizations’ staff. Much less emphasis has been put on the “human side” of board governance. To a large extent, this may be due to the fact that, as rarely as nonprofit mergers still occur, most mergers in the past have involved larger nonprofits, where staff dynamics arguably override board dynamics in terms of the merged organization’s ability to continue providing services and reap the benefits of the merger strategy without severe interruptions.

As this case study has shown, however, particular emphasis must be paid to board dynamics in the process when it comes to mergers between smaller organizations and between unequal partners. While small organizations may easily be fully pre-occupied with the substantial challenges of adapting new operating policies and procedures as well as dealing with the formal and legal aspects of merging, greater attention to, and emphasis on, cultural issues at the board level early on is likely to prevent friction and possible failure at a later stage. While some Humanities Commissioners welcomed the change, there never was a full buy-in by others. These Commissioners apparently felt that there was no opportunity for them to influence the process, maintain a “humanities commission” (or at least humanities) identify within the organization; and there was also an unwillingness to accept the responsibility of looking at themselves as a new entity (which was also true of a minority of former Arts Council members). In other circumstances, the feeling of being “railroaded” on the part of a substantial number of Commissioners would likely have derailed the whole merger process. In this particular case though, failure was not an option for the Humanities Commission, because the pressure exerted by the County government essentially left the Commissioners little choice, but to—willingly or unwillingly—accept the organizational culture dominance of the former Arts Council. However, pressure from dominating funding sources cannot always be relied upon to ensure the successfulness of small organization mergers.

## References

- Buono, A. F., & Bowditch, J. L. (1989). The Human Side of Mergers and Acquisitions: Managing Collisions Between People, Culture, and Organizations. San Francisco: Jossey-Bass.
- Eig, J. (2000, April 18). The Urge to Merge Hits Charities. Wall Street Journal, pp. B1, B4.
- Gardner, N. (2000, June). Second Harvest Merger Sets Stage for Deals. The Nonprofit Times, pp. 1, 10, 12, 49.
- Golensky, M., & DeRuiter, G. (1999). Merger as a Strategic Response to Government Contracting Pressures: A Case Study. Nonprofit Management & Leadership, 10(2), 137-152.
- Jemison, D. B., & Sitkin, S. B. (1986). Corporate Acquisitions: A Process Perspective. Academy of Management Review, 11(1), 145-163.
- Kamrad-Marrone, S. L., Stabile, M. A., & Smeltzer, C. H. (1999). Understanding and Championing the Merger Process: Key Leadership Roles for Successful Outcomes. Nursing Administration Quarterly, 23(4), 47-57.
- Kohm, A., La Piana, D., & Gowdy, H. (2000). Strategic Restructuring: Findings from a Study of Integrations and Alliances Among Nonprofit Social Service and Cultural Organizations in the United States. Chicago: Chapin Hall Center for Children, University of Chicago.
- La Piana, D. (2000). The Nonprofit Mergers Workbook. St. Paul: Amherst H. Wilder Foundation.
- McLaughlin, T. A. (1998). Nonprofit Mergers and Alliances: A Strategic Planning Guide. New York: John Wiley & Sons.
- Salamon, L. M. (1999). America's Nonprofit Sector: A Primer. New York: Foundation Center.
- Schmid, H. (1995). Merging Nonprofit Organizations: Analysis of a Case Study. Nonprofit Management & Leadership, 5(4), 377-391.
- Singer, M. I., & Yankey, J. A. (1991). Organizational Metamorphosis: A Study of Eighteen Nonprofit Mergers, Acquisitions, and Consolidations. Nonprofit Management & Leadership, 1(4), 357-369.
- Taylor, J., Austin, M. J., & Caputo, R. K. (1992). Managing Mergers of Human Service Agencies: People, Programs, and Procedures. Child Welfare, 71, 37-52.
- Wernet, S. P., & Jones, S. A. (1992). Merger and Acquisition Activity Between Nonprofit Social Service Organizations: A Case Study. Nonprofit and Voluntary Sector Quarterly, 21(4), 367-380.