

THE CASE FOR MERGER

STRONGER TOGETHER FOR GREATER IMPACT – LOCALLY AND BEYOND

Presented by



Capital Area United Way
Clinton | Eaton | Ingham



United Way of the
Battle Creek and
Kalamazoo Region
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EXECUTIVE SUMMARY

United Way has a rich legacy of trust and collective impact in our communities. Over the last century, we’ve demonstrated how much impact we can achieve by mobilizing community resources; neighbors and partners continue to step up and help, even during a global pandemic. However, we also know that changes in our communities and in society have made it more difficult for our traditional business model to flourish. A bold step forward would solidify, and enhance, our ability to create positive change in our communities across south central Michigan.

Philanthropy is changing due to monumental shifts in social priorities, demographics, pay scales and workplace culture, ways to engage and available resources. While these trends raise serious concerns about the United Way model’s long-term viability, they also present opportunities for United Way to evolve to tap new ways to grow its impact.

Recognizing this years ago, our three United Ways deliberately came together on shared efforts ranging from joint campaign kickoffs to cross-staff engagement in resource development, finance, community impact, and most recently a shared human resources management service.

We recognize that our communities are distinctive in many ways, yet they share similar needs, challenges and dynamics. We also share a firm belief that we can accomplish more together than we can separately—both now and in the long term. **Joining our local United Ways together offers a powerful opportunity to deliver far more impact, both locally and regionally, as a merged organization.**

We have developed a merger plan that would leverage our shared values and strengths (community, leadership, equity, staff excellence, accountability, commitment to impact), eliminate redundancies and grow our ability to tap new resources; the return on investment will be substantial, as long as we preserve our unique relationships, identities and impact in our local communities.

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THE 'WHY': EFFECTS OF CURRENT TRENDS

Our world is changing dramatically. Technology, competition and a savvier constituency require United Way to be more nimble and better able to change along with our environment. Resource providers, along with those who rely on them, must see United Way as a cohesive system delivering positive, lasting change.

To do so, today's United Way must be hyper-aware of the marketplace, the economy and complex social conditions. With more and more nonprofits entering the arena, we are seeing increased competition and diversity of service. More than ever, these changes dictate our relevance. Today people attach themselves to causes, not institutions. That means our reputation and legacy hold far less sway. That is one reason why **financial support to United Ways has been trending down significantly for a decade.**

Layered onto this is the explosion of global information and personal access to it. Educating our constituencies, rising above the "noise" to help them make more informed and impactful decisions, is increasingly hard to do. Attention spans are short and shrinking every day. Further, social conditions have become more complex, and current solutions are no longer effective. The basic building blocks of a good life remain far out of reach of too many people.

In short, **United Way must transform to remain not just relevant, but viable.**

The market is changing faster than United Way organizations are adapting. We have been too slow, too resistant, and perhaps too afraid to change. Here are the shifting elements United Way faces today:

- **Generational shifts** – Five generations share today's workplace, each with different perspectives, motivations, interests and commitments to nonprofits through their volunteering and giving habits.
- **Corporate/organization shifts** – Change from local control to regional decision-making, fewer large companies and more mid-size/small businesses, limited access to employees, and the pressure on business to derive a competitive advantage based on philanthropy are driving interest in specific Corporate Social Responsibility (CSR) strategies and investments.
- **Rapid growth of nonprofits** – People have more options for giving their time and money. This greatly increases competition for limited resources and creates more "noise" in messaging.
- **Cause-related philanthropy** – The market demands more opportunities to see, touch and feel the impact of support. This tends to break complex social issues into episodic engagement; Unfortunately, one-off volunteer and giving experiences cannot resolve the root causes of complex problems.
- **Shrinking resources** – As the Asset Limited, Income Constrained, Employed (ALICE) population continues to be a fast-growing segment of communities across the nation, fewer people have the financial means to support United Way. Our typical contributors are middle-class donors who give consistently.

FACT:

Two-thirds of the 1,100 United Ways in the U.S. are run by 1 FTE or less.

United Way Worldwide

FACT:

75% of nonprofits report increased demand for services.

Salesforce: <https://bit.ly/2HP1yg7>

FACT:

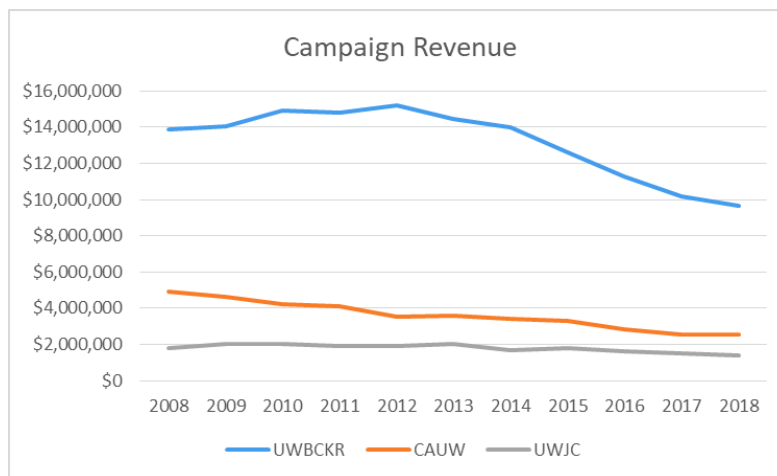
60% of nonprofits plan to collaborate with another organization.

Nonprofit Finance Fund: <https://bit.ly/2HQ7RAt>

A COLLABORATIVE PATH TO NOW

For much of the past decade, our three United Ways—[Capital Area United Way](#), [United Way of the Battle Creek and Kalamazoo Region](#), and [United Way of Jackson County](#)—have partnered on projects and initiatives to enhance our individual and collective impact. Originally coming together to network and share best practices, our regional partnership led coordinated efforts such as spearheading a joint campaign kickoff week that included shared marketing and advertising buys, eventually expanding to statewide involvement; participation in UWW’s Corporate Engagement cohort; and cross-staff engagement in resource development, finance and community impact. Going further, our three organizations plus two other local United Ways in Michigan recently agreed to a human resources partnership, allowing our organizations to hire 2.0 FTEs shared between us.

Our partnership came at a critical time. United Ways locally and nationally are experiencing alarming downward trends in annual campaign support. United Way Worldwide reports a 23.5% decline in campaign revenue from 2008 to 2018. Our United Ways are down 48% (CAUW), 30% (UWBCKR) and 22% (UWJC) during that same period. Fortunately, each of us has offset much of this decline by aggressively seeking grants and other financial resources; for example, we raised significant dollars in 2020, as well as rallied partnerships and initiatives, to address needs specifically related to the COVID-19 pandemic. That kind of strategic adaptability both informs and drives our path forward.



Each organization faces structural, fundraising and communications/marketing challenges that make it increasingly difficult to adapt to the trends noted above. **If we stick with the status quo, campaigns of all three organizations will continue to decline.** Given the other trends in philanthropy, it’s quite likely that over time **none of our United Ways will remain viable.**

While our experiences, visions and missions are diverse, they’re also remarkably aligned in a shared commitment to mobilize our communities and lead shared efforts that drive lasting change. As we focus on meeting the needs of our specific communities, we also see the needs each of our United Ways are addressing, and the sorts of services being invested in or created, are increasingly similar. Individually and collectively, we share a mindset that every person deserves the opportunity for good health, a good education and financial stability. In that light, **we believe merging our organizations as a regional entity with a strong local identity will maximize collective resources, expand opportunities to tap new revenue and resources, address capacity issues and retention/recruitment of diverse employee teams, strengthen our work for equity, and impact local and regional needs more effectively.**

THE CASE FOR MERGER

A merger of our United Ways holds the potential to greatly **scale up our shared strengths**, address **changing trends**, tap **new opportunities**, engage **new and existing stakeholders**, preserve the **unique nature and relationships** in our local communities—and most important of all, **deliver greater impact** locally and regionally.

ANTICIPATED FUTURE IF WE DON'T CHANGE		ANTICIPATED FUTURE IF WE MERGE....	
BOARD	Minimal impact. Continue to strive to recruit influencers & reflect community representation.	BOARD	Strengthen diversity & representation. Create regional governing board with local advisory boards. Committees crucial to engaging communities & leading mission/vision/goals.
LEADERSHIP & STAFF	Staff reductions expected. Loss of leaders due to lack of career advancement opportunities. Struggle to recruit/retain talent.	LEADERSHIP & STAFF	Retain/recruit strong talent. Streamline decision-making. Grow skills/specialization. Competitive compensation/benefits. Address redundant activities. Redeploy some staff to strengthen impact.
COMMUNITY IMPACT	Lost revenue & expertise will affect investments & strategic outcomes. Unable to ramp up successful programs and initiatives.	COMMUNITY IMPACT	Strengthen & scale up successful programs/initiatives. Leverage regional expertise to increase local impact. Streamline grant-making. Strengthen leadership role in local communities, region & beyond.
REVENUE	Revenue decline will continue, projecting 5%-10% annually. Continue to strive to diversify revenue streams, but unable to invest in key expertise (e.g., Major Gifts role).	REVENUE	Build capacity to diversify revenue. Leverage corporate relationships across communities. Fully realize digital capabilities (marketing/engagement) to grow individual giving.
OPERATIONS	Fewer resources available. Budgets are already lean and cannot be trimmed further without significant impact on staff, programs & initiatives.	OPERATIONS	Resources/capacity to redesign administrative structure, enhance efficiency, cut costs. Keep local facilities & presence.

The three CEOs of our United Ways began discussing the potential for a merger in 2020. We compared similarities in mission, vision and values; similarities in needs and opportunities; and the unique strengths each United Way brings to the mix. As part of this effort, we made the following commitments:

- A merger will demonstrate clear benefits both regionally and locally, especially in driving meaningful, measurable impact.
- A merger will be one of equals. No single United Way will “take the lead.” This means equal representation on the governing Board of Directors.
- A merger will assure a local presence in each of our current communities—facility, staff and relationships, as well as a local identity.
- A merger will ensure that dollars raised for local impact will be invested locally.
- Any of our United Ways can exit the process at any point during the exploration phase.

It’s important to note that each of our United Ways engaged with each other from a position of strength and solidarity. We also bring individual and shared histories of identifying and strategically adapting to address trends and take advantage of new opportunities. While the trends noted above put us all at risk long-term, each of us has the financial integrity, quality staffing and vision to come to the table as equal partners.

In the fall of 2020, our exploration expanded to include the chairs of our respective Boards of Directors, and it expanded again by year’s end to include three additional Board members. We also engaged key stakeholders—major donors, corporate partners and other community partners—to solicit their feedback. Finally, we kept our full Boards, our executive leadership teams and our full staff aware.

Based on this robust analysis and diverse feedback, the following pages describe the rationale for merging our three United Ways as well as perspective on how the new organization would function and be structured.

➤ OUR NAME AND IDENTITY

A new name is crucial to establishing our merged organization's identity and evolution. At the same time, we know our local United Ways have a strong local presence and strong local support that we want to honor. We incorporated stakeholder feedback, public relations potential and naming guidelines from United Way Worldwide to arrive at **United Way of South Central Michigan**.



- We sought a brand that reflects a true **merger of equals**—each United Way coming into the merger as an equal partner. The list of counties represented makes clear that this new organization stands for all communities served by our legacy United Ways.
- This name both underscores our **union as a single organization** and allows our individual communities to continue **using legacy names** for fundraising, local events and other needs. Again, this makes clear that the “new” United Way desires to preserve our local identities.
- In order to minimize confusion, UWW requires United Way names to **reflect the geographic service area** in some fashion. United Way of South Central Michigan accomplishes this, since our new region and local presence are in southern and central areas of the Lower Peninsula.
- It's simple and easy to remember.
- It leaves room for other United Ways to merge with us if that makes sense in the future.

➤ OUR GOVERNANCE

A successful regional/local strategic approach will require clear structure, roles and accountabilities. We propose a Governing Board of Directors with equal representation from the legacy United Ways. This board will provide governance, financial oversight and other responsibilities required of a nonprofit board. Each community served by the legacy United Ways will have a Community Leadership Committee that interfaces with the Governing Board of Directors, offers valuable local perspective and identifies local needs, makes recommendations on local campaign goals, advises the investment of those funds into local services and supports, and can also serve as a pipeline to future membership on the Governing Board of Directors. In addition, we would ensure a strong partnership (including board representation) with Organized Labor, a legacy that our United Ways have long enjoyed and that has benefited our communities.

The diagram on the next page provides more detail on governance roles, along with explanations on how these roles connect with the work of local staff.

HOW A MERGED ORGANIZATION MIGHT FUNCTION...



➤ OUR ORGANIZATIONAL STRUCTURE & CEO/EXECUTIVE LEADERSHIP

One of the great strengths of this merger is the opportunity to build capacity across the region to benefit each community. Each of the three legacy United Ways has demonstrated world-class expertise in several key functional areas, but not in all of them. Previous collaborative experiences have demonstrated that we can “lift up” each other and leverage one teams’ strengths more broadly across multiple United Ways. In short, we can do more together than we can alone.

In a similar vein, a merger will allow us to tap our collective strength to find new revenue opportunities that individual United Ways may not have the capacity to obtain or manage. For example, many large-dollar grants have huge administrative and reporting requirements beyond any of our single United Ways to manage. A merged organization would have more capabilities to pursue those revenue sources.

Further, we see opportunities for staff development that would not exist if we continued as separate United Ways. While our teams will focus primarily on local needs and opportunities, they will have the chance to engage with broader initiatives and connect with a bigger, more diverse team. This means more learning and growth internally and avenues for developing into regional roles and leadership.

Finally, a merged organization will be able to streamline activities that must be performed by all individual United Ways and may create redundancies once a merger happens—i.e., finance, human resources and other administrative activities. This will reduce some overhead costs, and those savings will be reinvested in our mission: Positively impacting our communities.

CEO selection is the job of the Governing Board of Directors. The three legacy CEOs are all willing to continue playing a leadership role in the new organization and will serve as the local executives in their current communities (which is another strategic move to strengthen our message of local identity, influence and support.)

➤ **INTEGRATION & COMMUNICATION**

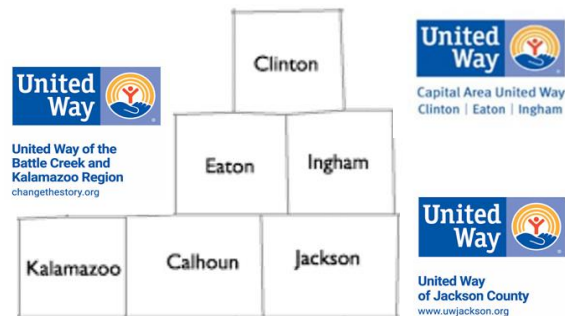
Voting to merge is a tremendous step, but it's only the first in a lengthy process. Integrating our teams, building a collective culture, aligning our goals and objectives, equipping people to execute on strategy, increasing operational efficiency, and communicating these changes to our many stakeholders will take considerable time. Fortunately, we have experience in mergers. Both Capital Area United Way and United Way of the Battle Creek and Kalamazoo Region have successfully completed mergers recently. United Way Worldwide offers resources to support local United Ways through the process. Also, this initiative is already supported by local consultants in leadership, human resources and public relations/communications who have been involved in both nonprofit (including United Ways) and corporate (including Fortune 500 level) mergers. Integration and communication planning will be robust, targeted and effective.

CONCLUSION

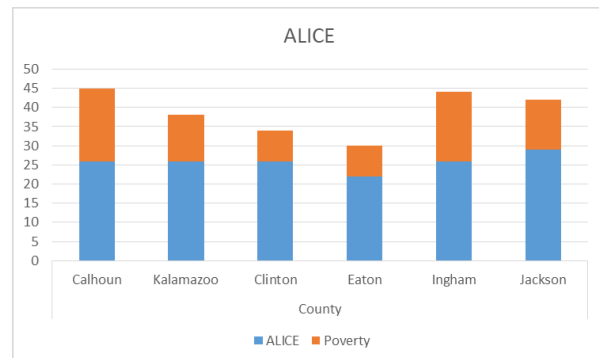
Changing lives, delivering meaningful and lasting impact for every person in our communities—that's the heart of United Way. And as a locally owned, locally focused community nonprofit, with no mandates or directives from 'afar', United Way is uniquely built to do this. Our three United Ways believe we can achieve more positive impact, better, together. We're eager to begin—and we hope you will see the lasting power in moving forward, united.

APPENDIX A – Analysis: Visualizing Our Similarities, Shared Needs & Unique Strengths

Our Contiguous Region



% ALICE Population by County



MISSION	VISION	VALUES
<p>CAUW: Uniting people and resources to solve defined problems and improve the quality of life for individuals and families in our communities.</p> <p>UWBCKR: Drive impact by leading shared efforts that engage diverse people, ideas and resources.</p> <p>UWJC: Connecting our community for the common good.</p>	<p>CAUW: Be a catalyst for change that mobilizes a caring community to improve people's lives.</p> <p>UWBCKR: A vibrant community where all people realize their full potential.</p> <p>We fight for a future where:</p> <ul style="list-style-type: none"> - Every baby thrives - Every child graduates - Every person earns enough to be financially stable - Every person who is hungry, homeless or in crisis gets help <p>UWJC: We will be a community rich in opportunities to eliminate poverty and allow all people to achieve financial stability and success.</p>	<p>CAUW: Civic engagement & advocacy ... Diversity, equity and inclusion ... Continuous learning and improvement ... Philanthropy ... Strategy & innovation ... Collaboration & synergy.</p> <p>UWBCKR: INTEGRITY - Always doing what's right even when no one is looking ... CONNECTED TO COMMUNITY – Engage with community through authentic partnerships... LEADERSHIP - Modeling the behaviors we expect of others ... ACCOUNTABILITY - Taking ownership of our work, decisions, and actions ... EQUITY – Collaborating with communities most affected by inequities through capacity building, accountability and organization behavior ... CREATIVITY – Encouraging and embracing new ideas.</p> <p>UWJC: Be accountable and responsive to donors and volunteers ... Work collaboratively with all constituents in the community ... Be a leader in the community in addressing current and emerging human service needs ... Achieve positive impact ... Be inclusive by creating opportunities to partner with all sectors of the community ... Focus resources on the most important needs in our community ... Be "prevention-focused" in our efforts to improve lives ... Partner with the most effective and efficient health and human service providers.</p>