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In Pursuit of Union: The First Collaborative Merger Effort of Housing Organizations in Western New York



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Abstract

Between 2010 and 2013 the leaders of five nonprofit housing organizations located in western New York State met together to form an alliance of their organizations. All of the organizations belonged to the network of NeighborWorks America, a congressionally chartered nonprofit corporation that provides grants, technical assistance, training, and organizational assessment to local groups across the United States that carry out housing and community development programs to improve the neighborhoods and lives of low-income people.

The leaders of the five organizations hoped that by joining forces their organizations would expand their lines of business, increase their capacity, and become more efficient. At first, they were not clear about what form the alliance would take but eventually they conceived of it as

an association of equals in which their organizations would become subsidiary divisions under one central organization. After two and a half years of discussing and planning what they called a collaborative merger, the groups were just about to create the new entity when the effort came to an abrupt halt. Three of the groups would later successfully merge into a new organization.

The following case study traces the story of the original effort in western New York to understand what it accomplished and why its members were unable to join together. The study aims to inform leaders in the nonprofit housing field – particularly members of the NeighborWorks network -- about ways to approach the task of bringing different organizations together in joint ventures.

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I. Introduction

Between 2010 and 2013 the leaders of five nonprofit housing organizations located in western New York State met together to form an alliance of their organizations. All of the organizations belonged to the network of NeighborWorks America, a congressionally chartered nonprofit corporation that provides grants, technical assistance, training, and organizational assessment to local groups across the United States that carry out housing and community development programs to improve the neighborhoods and lives of low-income people.¹

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The following case study traces the story of the original effort in western New York to understand what it accomplished and why its members were unable to join together. The study aims to inform leaders in the nonprofit housing field – particularly members of the NeighborWorks network – about ways to approach the task of bringing different organizations together in joint ventures.

In this first attempt of western New York organizations to collaborate, many factors contributed to the breakdown of the process. Perhaps the most fundamental cause was that most of the concerned parties underestimated the difficulty of bringing five disparate groups together under a common organizational structure.

Several different lessons follow from the effort. One is that prospective collaborators should begin by collaborating on actual programs before they start building a grand organizational structure. A second lesson is that collaborators should take time to develop a common vision, which means wrestling honestly with the differences that separate the participating groups.

¹ <http://www.neighborworks.org/About-Us>.

Communication – open and constant – is also essential, as is the full and committed participation of all the involved parties. The leaders of such efforts must go to great lengths to ensure that everyone – including staff and board members from all the organizations – understand and support the collaborative effort.

Finally, everyone must understand that bringing existing groups into a new organizational arrangement is not business as usual. It is an act of creation that threatens the status quo. It requires extraordinary care to ensure that the participants recognize the process and the outcome as legitimate. And this in turn means tackling the difficult questions about management, sharing leadership, and the roles and responsibilities of staff and board members earlier rather than later.

The Beginning

Late in the day on June 23, 2010, directors and board members of three nonprofit housing organizations in western New York State were relaxing at a hotel in Newark, New Jersey with Kate Adams, the official liaison or relationship manager for their groups and NeighborWorks America. It had been a day of intense sessions at a directors' forum held by the NeighborWorks Northeast Region for its member organizations.²

The conversation turned to the topic of organizational collaborations, a subject popular not only at the forum but also throughout the nonprofit community development field. The executive directors there – Jeff Eaton of Arbor Housing and Development, Kim Brumber of NeighborWorks Rochester, and Mark Sabella of NeighborWorks Home Resources – had often spoken of coordinating their organization's activities. After all, funding was always tight for nonprofit housing organizations, and impending changes in New York State's funding for housing and community development threatened to make it even tighter. Small housing agencies often struggled to do enough business, while larger ones wanted to expand their markets. And NeighborWorks America's leaders believed that many network organizations

² The formal title of the position Adams held in NeighborWorks America is "relationship manager." At that time, she worked with several western New York organizations that belonged to the NeighborWorks network. Katherine Adams, interview with author by telephone, Rochester, New York, November 4, 2014.

could improve their efficiency and financial viability through alliances, partnerships and even mergers.³

The directors began to think out loud about ways they could get a multi-group collaboration started in western New York. There must be a way, they thought, for different organizations to share activities, administration, and expertise so that each group could increase its business. Given its endorsement of the idea of organizational collaborations, NeighborWorks America would likely provide financial support for the process. A good first step would be to contact the executives from other organizations in western New York to see if they would like to join the effort.

In the weeks after, Eaton, Brumber, and Sabella spread the word among their peers in western New York. Brumber, the head of NeighborWorks Rochester, invited the directors of four other NeighborWorks America organizations, Niagara Falls Neighborhood Housing Services (Niagara Falls NHS), West Side Neighborhood Housing Services (West Side NHS), Chautauqua Home Rehabilitation and Improvement Corporation (CHRIC), and Neighborhood Housing Services of South Buffalo, Inc. ((NHS of South Buffalo) to join the original three (Arbor, NeighborWorks Home Resources, and NeighborWorks Rochester) whose executive directors had first discussed the idea. For various reasons, CHRIC and NHS of South Buffalo participated for just a short while, but Niagara Falls NHS and West Side NHS became committed members of the coalition.

At a July 2010 meeting the participating executive directors drafted a document named “Affiliation Talking Points,” in which they declared that the increasingly harsh regulatory and funding circumstances called for working together to increase revenues and strengthen their organizations in order to continue serving their communities.

Organizations today operate in a time of danger and opportunity; there is a need to constantly adapt into new realities just to survive. ... This is a call to action to mobilize people’s hearts and minds to operate differently.⁴

³Adams, interview; Jeffery Eaton, interview with author, Washington, D.C., December 10, 2014; Kim Brumber, interview with author, Rochester, New York, January 22, 2015; Mark Sabella, interview with author, Corning, New York, January 23, 2015; Bruce Rumbold, interview with author, Rochester, New York, January 22, 2015; David Trent, interview with author by telephone, Olean, New York, March 15, 2015.

⁴ [Jeffrey Eaton], “Western New York NeighborWorks Organizations (WNYNWO) Phase II Affiliation Talking Points,” August 23, 2011, 1.

By this time, word of the discussions among the western New York directors reached the staff of the Northeast Region of NeighborWorks America, who fully embraced collaborations, joint ventures, and mergers in order to strengthen the members of the network. Although often little came of collaboration discussions, the NeighborWorks America team thought this effort might well produce real results. They knew that Eaton and Brumber had rescued flailing organizations and built them into some of the strongest organizations in the regional network. That the executives themselves brought other western New York directors into the collaboration discussions indicated they were serious. NeighborWorks America approved a request to pay for a consultant to help move the effort forward. If this affiliation worked, it could very well serve as an innovative model for NeighborWorks chartered organizations and, indeed, the housing and community development field across the United States.

II. A Context for Collaboration

Why Collaborate?

Practitioners in the nonprofit and community development field use the term “collaboration,” relatively loosely to describe ongoing coordination, as opposed to one-time joint ventures, of two or more organizations. This catch-all term can refer to long-term partnerships, alliances, integration of part or all of organizations, and at the maximum, mergers and acquisitions.

For about the last ten years, philanthropic foundations and nonprofit financial intermediaries as well as scholars have urged nonprofit organizations to combine forces by one means or another. They cite a number of reasons for doing so. Obtaining money to operate and run programs has become difficult, and reductions in the federal community development block grant program would make it more difficult. Indeed, several reports indicated that financial issues – the need to tap multiple funding sources and decreases in financial support due to economic conditions or policy changes -- plagued many nonprofit organizations. In response, organizations can cut back their staff and programs or seek more revenue from new

enterprises or government agencies. For many researchers, however, the best method for organizations to survive and grow is through collaboration.⁵

Many nonprofit organizations, scholars have observed, are ill-equipped to cope with funding difficulties because they are redundant, financially weak, undersized, and/or unproductive. In 2008, the Boston Foundation commissioned a survey of Massachusetts nonprofit organizations in ten sectors, including those of housing and community development, and concluded that many of the organizations were financially weakened by insufficient liquidity, lack of profits, and unfavorable ratio of liabilities to assets. Even some organizations that were in the black were just getting by and not growing. The foundation urged these stagnating nonprofits to form “mergers, strategic alliances and collaborations as a strategy to strengthen organizational balance sheets, enhance offerings, and create economies of scale and efficiency.”⁶

Somewhat paradoxically, research shows the organizations that most often initiate or form collaborations are not the weakest ones, which would seem to need bolstering the most. The organization with a relatively large budget and diverse funding streams – that does not depend on government monies – is more likely to join collaborative efforts. In the western New York case, the two largest and financially strongest groups initiated and led the effort to collaborate.⁷

Yet all of the organizations in the area had reason to collaborate. During the time that the merger talks began, New York State officials signaled that there would be cutbacks in the financial support the state provided to nonprofit housing groups, many of which relied on such funding to balance their budgets. Combining functions, programs, or administration with other organizations would offer them a possible way of coping with funding uncertainties.

⁵ Heather MacIndoe and Felicia Sullivan, “Nonprofit Responses to Financial Uncertainty: How Does Financial Vulnerability Shape Nonprofit Collaboration?” *Journal of Management and Sustainability* 4:3 2014, 1-2.

⁶ Elizabeth Keating, Geeta Pradhan, Gregory H. Wassall, and Douglas DeNatale, *Passion and Purpose: Raising the Fiscal Fitness Bar for Massachusetts Nonprofits* (Boston, MA: The Boston Foundation, 2008), <http://www.tbf.org/~media/TBFOrg/Files/Reports/PassionPurpose%20Raising%20the%20Fiscal%20Fitness.pdf>; Geeta Pradhan and Barbara Hindley, *Passion and Purpose: Restructuring, Repositioning and Reinventing: Crisis in the Massachusetts Nonprofit Sector* (Boston, MA: The Boston Foundation, 2009), 6, <http://www.tbf.org/~media/TBFOrg/Files/Reports/PassionPurpose%20Restructuring.pdf>.

⁷ Chao Guo and Muhittin Acar, “Understanding Collaboration among Nonprofit Organizations: Combining Resource Dependency, Institutional, and Network Perspectives,” *Nonprofit and Volunteer Sector Quarterly*, 34: 3 (September 2005), 340–361.

III. A Large and Diverse Group of Agencies

The leaders of the five western New York organizations saw their effort as one of mutual cooperation. They chose to involve as many organizations as possible to maximize the benefits of sharing expertise and markets. They believed that the more groups they could involve, the stronger the resulting collaboration.

The organizations had much in common. The staff and boards were committed to helping low-income people obtain or improve their housing. All of the groups were chartered members of NeighborWorks America, and their directors and staff participated in the organization's programs, including its national, regional and statewide conferences, training institutes, committees, professional certification programs, and perhaps more importantly, its funding, performance assessment and evaluation processes. Yet the organizations differed from each other in their histories, geographic service areas, markets, sizes of operations, programs, practices, and abilities and attitudes of their leaders. The participants in the western New York affiliation effort were quite aware of the diversity of their groups but more inclined to focus on their shared aims.

Arbor Housing and Development

Arbor Housing and Development was the largest of the participating organizations, and its head, Jeffrey Eaton, was a principal leader of the affiliation effort. The organization started in Bath, New York in 1969 as Steuben Churchpeople against Poverty, a religious volunteer organization dedicated to providing services to reduce poverty in rural Steuben County. As the organization shifted to paid staff, it came to specialize in human services and housing assistance for people with mental and behavioral health problems and survivors of domestic violence. Arbor also undertook real estate development and management of low-income housing, and to a lesser extent, financial assistance for home rehabilitation and ownership for low- and moderate-income households.

After a period of turmoil, the Arbor board in 2000 hired Jeffrey Eaton to be its president and CEO. At the time, Eaton was directing a small mental health housing organization in an adjacent county. Eaton first set about building and rebuilding relationships with people in other

agencies and government departments to solidify the organization's reputation as a worthwhile partner. With the help of training and consultation from NeighborWorks America, Eaton restructured the organization to improve its internal operations and programs, especially in real estate development. Soon the organization's staff and portfolio began to grow. A self-assured go-getter, Eaton mastered housing development, with which he was not familiar when he started, and in 2011 he served as the chair of the New York State Rural Housing Coalition.⁸

From early 2009 to January 2011 Eaton helped bring about a successful merger with Tri County Housing Council, Inc. a successful and financially strong nonprofit organization, with which he and Arbor had long collaborated. Tri County Housing brought to Arbor its large program of administering Section 8 Housing Choice Vouchers as well as its homeownership counseling program. Tri County's former director Judy Celelli became the chief operating officer of Arbor and Tri County's former board of directors' chairman Charles Franzese joined the Arbor board and later became its chairman. By the time of the western New York affiliation discussions, Arbor employed about 100 people, far more than any of the other participating western New York organizations. In 2014 Arbor moved to Corning, New York, a small city located in Steuben County.

NeighborWorks Rochester

NeighborWorks Rochester was the second largest in terms of staff and capacity of the participating western New York organizations, and its executive director, Kim Brumber, was one of the two foremost leaders in the alliance.

Founded in 1979 as the Neighborhood Housing Services of Rochester, NeighborWorks Rochester belonged to the first generation of neighborhood housing services (NHS) organizations formed in dozens of American cities to issue loans to help low-income individuals rehabilitate and purchase their homes. To assist the neighborhood housing services preserve and improve deteriorating neighborhoods, Congress established the Neighborhood Reinvestment Corporation, now doing business as NeighborWorks America. From its beginning, the Neighborhood Housing Services of Rochester promoted homeownership through education and loans.

⁸ Eaton, interview, December, 10, 2014.

By 2001 the Rochester organization had fallen into financial difficulties, and its board of directors hired Kim Brumber to become the executive director. Brumber had worked in for-profit businesses prior to taking the post and she brought an entrepreneurial approach to the organization, seeking ways to generate revenue while helping the people of Rochester. Brumber added programs for energy services and lead paint removal and expanded lending products, including for multi-family rental housing repairs, the group offered. Renamed NeighborWorks Rochester, the organization also became a significant lender in Rochester, especially after it obtained certification from the Treasury Department as a “community development financial institution.” In conjunction with the city government, the organization pioneered the Healthy Blocks program, which targeted home improvements, business development, and real estate promotion and civic engagement in selected economically deteriorating neighborhoods.⁹

Under Brumber, NeighborWorks Rochester flourished. During a time when the population of Rochester was declining, the organization’s assets tripled as did the number of staff, which reached eighteen. By 2009, NeighborWorks Rochester’s budget had grown dramatically, and its revenue ever more so. In addition, Brumber was able to expand NeighborWorks Rochester’s service area into Monroe County.

West Side & Black Rock-Riverside Neighborhood Housing Services

West Side Neighborhood Housing Services was somewhat smaller than the two largest groups, but its staff and board members played crucial roles in the alliance effort.

In 1979, the city of Buffalo, a place with strong traditions of neighborhood loyalty and political patronage, established six NHS organizations, more than any other city in the country. In the early 2000s, the directors of the five surviving NHS organizations discussed merging with each other. Two of them did. Black Rock-Riverside Neighborhood Housing Services and West Side Neighborhood Housing Services, agreed to combine staff, programs, and service areas.¹⁰ In

⁹ By 2009 NeighborWorks Rochester had developed a multimillion dollar portfolio of loans for home improvements and home purchases affordable to low- and moderate-income borrowers.

¹⁰ The history of another original group, the Neighborhood Housing Services of South Buffalo, states that there were initially seven NHS organizations in Buffalo. Kelly L. Patterson and Robert Mark Silverman, “Building a Better Neighborhood Housing Partnership,” *Housing and Society* 34: 2 (2007), 202; Neighborhood Reinvestment

order to preserve state funding of their programs, however, the two groups did not merge completely. West Side NHS, the stronger of the two and in good standing with NeighborWorks America, served as the lead organization, but both groups retained distinct boards of directors and shared the services of the sole executive director.¹¹

West Side NHS & Black Rock-Riverside NHS administered traditional NHS programs: homebuyer education and counseling; down payment and closing cost assistance; loans for home rehabilitation; and grants for minor home repairs.¹² The board members of the Buffalo groups were actively involved in the organizations' activities: seeking loan customers in the neighborhoods and working with staff members on programs, budgets, and planning fundraising events.¹³

Since 1997, Linda Chiarenza, a native of Buffalo, had served as executive director of the West Side NHS. Chiarenza was resourceful and maintained good relations with the two boards of directors and, just as importantly, with many state and city officials, who controlled funding essential to the organizations' survival. Committed to the job of director, Chiarenza repeatedly expressed an intention to retire but did not actually step down until 2015. In the merger discussions, she and her board members were keen to protect the local prerogatives of both West Side and Black Rock-Riverside organizations.¹⁴

Niagara Falls Neighborhood Housing Services

Niagara Falls Neighborhood Housing Services was also a first generation NHS organization, having been created in 1979 in response to citizens' campaigns to stop the deterioration of

Corporation, Quarterly Report, Fourth Quarter 1979, 3-7; NHS of South Buffalo, History, <http://www.nhssouthbuffalo.org/aboutus.html>; Linda Chiarenza, interview with author, Buffalo, New York, March 17, 2015; Brian White, interview with author, Buffalo, New York, March 17, 2015.¹¹ To maintain the same direction, the Black Rock-Riverside NHS board sent a representative to the West Side board. Chiarenza, interview; White, interview; West Side and Black Rock-Riverside Neighborhood Housing Services, History and Service Area, <http://www.wsnhs.org/history-service-area/>.

¹¹ To maintain the same direction, the Black Rock-Riverside NHS board sent a representative to the West Side board. Chiarenza, interview; White, interview; West Side and Black Rock-Riverside Neighborhood Housing Services, History and Service Area, <http://www.wsnhs.org/history-service-area/>.

¹² The other program, free foreclosure prevention counseling, was instituted by NeighborWorks America in response to the housing finance crisis and was closely related to homebuyer education.

¹³ White, interview; West Side Neighborhood Housing Services, Inc., Organizational Underwriting FY15-1, Part 1, Progress Report & Performance Update (2015), 4.

¹⁴ New York State Assembly Standing Committee on Housing, Public Hearing Potential Amendments to the Neighborhood and Rural Preservation Programs, Albany, New York, July 12, 2011, 87-88.

several neighborhoods in the City of Niagara Falls.¹⁵ Like other early NHS organizations, Niagara Falls NHS promoted homeownership. To first-time home buyers, it offered credit counseling, home maintenance training, and grants to help to pay closing costs to first-time homebuyers. It provided rehabilitation loans to low-income homeowners, but most of these were deferred loans that would not be repaid. Niagara Falls NHS also had developed three rental housing properties, which included a total of 53 units.¹⁶

Government grants provided about three-quarters of Niagara Falls NHS's annual revenue, but with the funds came restrictions. For example, city government, for example, divided the federal community development block grants among several agencies, leaving Niagara Falls NHS with only a small territory to do its rehab business. Since 2010 two mainstays of the organization's funding, HUD and New York State, had significantly reduced the amounts of their grants.¹⁷

Niagara Falls NHS derived most of the rest its revenue from its rental properties, but some years lost money. Caught in the dilemma of a small organization, Niagara Falls NHS did not have the staff to prepare vacant apartments for occupancy quickly and, with a small portfolio, had trouble attracting qualified contractors to maintain and repair the properties.¹⁸

The staff of Niagara Falls NHS consisted of only five full time and three to five part-time employees. As a result, the board of directors was highly engaged and especially in times of trouble, such as when it helped ensure the organization met the city government's production goals and helped run the group's annual flea market fundraiser. Its executive director, Kathleen Steinman, was devoted to the organization. She had served in different capacities since 1980, working her way up to the position of deputy director, which she held for about fifteen years.

¹⁵ Kathleen Steinman, interview with author, Niagara Falls, New York, March 18, 2015; Niagara Falls Neighborhood Housing Services, Inc. (Niagara Falls NHS), History, http://www.niagarafallsnhs.org/about_us/history.html.

¹⁶ The organization also rented three lease-to-buy dwelling units. Niagara Falls NHS, Programs and Services http://www.niagarafallsnhs.org/program_services/index.html

¹⁷ NeighborWorks America [Frank Sepulveda], Niagara Falls Neighborhood Housing Services, Inc., Program Review Report, 2014, 7; Steinman, interview; Niagara Falls Neighborhood Housing Services, Progress Report 2015, Part 2: Production and Performance Targets, 1.

¹⁸ NeighborWorks America, Niagara Falls NHS Program Review Report, 5-7.

When the previous executive director departed for health reasons, Steinman had reluctantly agreed to head Niagara Falls NHS.¹⁹

Steinman and her board fully supported the alliance of western New York organizations but faced obstacles due to their organization's small size and difficult circumstances.

NeighborWorks Home Resources

As the smallest and most vulnerable of the western New York NeighborWorks America organizations, NeighborWorks Home Resources had the most to gain by affiliating with other companies, yet its board of directors would adamantly oppose the idea.

NeighborWorks Home Resources was established in 1982 with funds from the state of New York. Officially named the Rural Revitalization Corporation, it served Cattaraugus County, a hardscrabble territory in which annual median income was only \$33,000. Over the years the organization, headquartered in the small city of Olean, expanded its service area to include southern Erie County and southwestern Wyoming County.²⁰

The main line of business of NeighborWorks Home Resources was to help low-to moderate-income homeowners fix their homes to remedy health or safety problems, code deficiencies, and deterioration. It was a small business consisting of 30 to 40 repairs a year.²¹

NeighborWorks Home Resources also offered homebuyer education and financial counseling, helped the government of Olean administer a first-time homebuyers program, and ran a small real estate operation for low- and moderate-income households.²²

Like Arbor Housing and Development, NeighborWorks Home Resources serves a rural geography, but the organization is tiny in comparison. During the period of the western New York collaboration meetings, NeighborWorks Home Resources had three full-time employees and one part-time employee, each of whom was responsible for multiple duties. Mark Sabella, a former construction supervisor, came to work at NeighborWorks Home Resources about 1999

¹⁹ NeighborWorks America, Niagara Falls NHS Program Review Report, 14; Brumber, interview, January 22, 2015.

²⁰ Sabella, interview.

²¹ Sabella, interview; Kim Whitney, telephone interview with author, Olean, New York, June 8, 2015; NeighborWorks Home Resources, NeighborWorks America Organizational Underwriting FY2015, Part I, FY2014 Progress Report/Performance Update, 3-4.

²² Sabella, interview; NeighborWorks Home Resources, <http://www.nwhomeresources.org/for-sale-rent/>; NeighborWorks Home Resources, <http://www.nwhomeresources.org/development/rentals/>.

as a manager of mortgage lending and then homeowners' education, and about 2004 was hired as its executive director.²³

With such a small staff, Sabella looked to his board for help, presenting the organization's problems and inviting the board to solve them, and board members developed a sense of proprietorship about NeighborWorks Home Resources.²⁴

NeighborWorks Home Resources was caught in a rut of being small but lacking sufficient revenue to grow, and like Niagara Falls NHS, it was highly dependent on government grants, which would become less available. To Sabella and his staff the prospect of the western New York alliance was "a great idea" that offered the opportunity to operate in a larger region and to provide more services.²⁵

The board members agreed in principal but they would strenuously oppose the collaborative merger of the five western New York groups. For them, the autonomy and their control of the organization were paramount.

IV. The Journey Begins

In the fall of 2010 the directors of the western New York organizations sought an outside consultant to guide their exploration. Douglas K. Smith, a well-known consultant who had worked at McKinsey & Company, agreed to help them get started on the process and let them finish the job themselves. Smith was known in the community development field especially for his work in the NeighborWorks Achieving Excellence Program, an executive education course created by NeighborWorks America with the help of Smith and Harvard University faculty members. To help executive directors and senior staff members of nonprofit community development organizations achieve significant and practical results, the Achieving Excellence program asks its participants to identify a major challenge for their organization, define precise goals that would resolve the challenge, and design the steps to transform their organization.²⁶

²³ Whitney, interview; Sabella, interview.

²⁴ Sabella, interview; Jeffrey Eaton, telephone interview with author, Corning, New York, October 2, 2015.

²⁵ Whitney, interview; Sabella, interview; Adams, interview.

²⁶ Smith refers to the goal of this program and other program he has conducted as "performance-based change." Douglas K. Smith, interview with author by telephone, Lagrangeville, New York, April 3, 2015; <http://www.douglasksmith.com/>.

On March 21, 2011, the representatives of six groups – the five who would remain until 2013 and South Buffalo NHS – met with Smith in order to generate and assess ideas for “potential collaborations among NeighborWorks America network organizations in western New York State.” Both Kim Brumber (NeighborWorks Rochester) and Jeff Eaton (Arbor Housing & Development) had taken the Achieving Excellence program and had taken the leadership risks that his “challenge-centered transformation” of firms required.²⁷

Smith advised the directors to discuss as many ideas as possible but make no commitments. His main message was that the directors should seek opportunities for their groups to collaborate. To keep the goal within reach, he defined “collaboration” as a joint project that involved any two or more participating organizations. Establishing that two or more groups, as opposed to all of them at once, could cooperate on business activities avoided the hurdle created when people feel that either everybody or nobody must collaborate. Smith also warned them that the concept of mergers might arise in their discussions, but he urged them not to pursue it, at least at this early point. If the directors were thinking about merging as well as collaborating, Smith felt it made sense to try collaborating first.²⁸

Smith used the urgency created by the threat of New York State’s impending funding cuts to designated neighborhood “preservation companies,” to prod the directors to think broadly about their problems and prepare their boards of directors for changes in the event of reductions in revenue. In two weeks, he suggested, two of the directors could propose to the others two or three ways some or all the organizations and even possibly outside entities could collaborate, noting the advantages and disadvantages of each. He asked them to think about which group might be the lead entity, how management might have to change, and what legal steps would be involved. Each of the directors discussed the prospects of current funders and possibilities of new funding sources.²⁹

²⁷Shyrl Duderwick (NHS of South Buffalo, Inc.) had also taken the Achieving Excellence program. [Kathleen Adams], “Western NY NWO Collaboration Meeting notes – March 21, 2011,” 1; Smith, interview; Douglas K. Smith, Challenge Centered Transformation Programs(SM), February 14, 2010, http://www.douglasksmith.com/2010/02/challengecentric_performancecdr_1.htm.

²⁸ Smith, interview.

²⁹ [Adams], “Western NY NWO Collaboration Meeting notes – March 21, 2011,” 2-3.

Energized by the circumstances, the participants discussed a wide variety of possible collaborations. Joint applications for funding seemed a simple way to collaborate. They liked the idea of combining what they called “back office” functions, such as accounting, grant writing, and human resources, which either one of the groups or an outside company contracted by all the groups could provide. In the business lines, the directors thought groups with a strong program might share it with others, which might not offer it. They discussed loan origination, underwriting, servicing for specific types of single-family loans, local outreach, sales, and centralized delivery for multifamily development, and for groups with a real estate portfolio, property and asset management.

The directors discussed the possible benefits and disadvantages of their ideas. Collaborating on home improvement lending was one example. It offered the possibility of devising new loan products based on different and adjusted rates and terms to serve two types of customers--traditional lower-income customers and middle-income or slightly more affluent borrowers. The western New York directors thought the “upsides” included saving money, improving their products, increasing the scale and volume of lending, reducing risk, increasing the organization’s presence in the area, and benefiting residents. The risks of collaborative lending, the directors thought, included hurting relations with bank officers, giving up control of the process, and losing money. They wondered if collaborating on lending would create an impression of conflict of interest and if their respective boards would not approve the new lines of business. Full of ideas about new directions their organizations could take, the directors nonetheless took a pragmatic approach to changing their way of doing business.³⁰

A Pattern of Leaders and Followers

On June 15, 2011, the leaders of the western New York organizations met again, but this time the attendees included the executive directors of the five groups that would participate in the collaborative effort for the next two years. The two others would not remain involved: NHS of South Buffalo had already decided to go its own way, and CHRIC would express interest on and off again until it ceased participation in the winter of 2012. Although the western New York leaders continued to contact other organizations about joining their effort, by mid-2011 the

³⁰ [Adams], “Western NY NWO Collaboration Meeting notes – March 21, 2011,” 5-7.

roster of member organizations – NeighborWorks Rochester, West Side & Black Rock-Riverside NHS, Arbor Housing & Development, NeighborWorks Home Resources, and Niagara Falls NHS – was set.³¹

At the June 15 meeting, Smith urged that they achieve demonstrable progress by September and in the end implement more than one collaborative strategy. For their part, the western New York leaders continued to search for ways to collaborate. They discussed numerous possible ways to join together and, in some cases, also with other partners. The directors also considered ways that they might combine management, purchases (for services such as health insurance); and applying for grants, but ruled out joint property management as impractical because their shared real estate portfolio would be too small and dispersed.³²

In the summer of 2011 the western New York leaders continued to pursue their interest in formalizing new ways of collaborating, and again the original three participants led the way. Eaton, Brumber, and Sabella frequently conversed and on July 27 held a conference call. Sensing a consensus among the western New York leaders for expanding the volume and geographic reach of their particular businesses, they set goals for creating joint ventures in real estate development, grants and technical assistance for rehabilitation of owner-occupied homes, and region-wide rehabilitation lending. Only the last of these ever got off the ground.³³

The three leaders also decided to seek a way to alter their organizational structures through an “affiliation/consolidation/merger.” To this end, they took responsibility for organizing a large committee, including each group’s board and staff representatives, to devise the formal structure of the new alliance and assess its impact on the participating groups. The leaders of all five western New York groups agreed that Arbor Housing and Development would request funds on their behalf from NeighborWorks America to help them organize the new entity.³⁴

Even at this early stage, there were two distinct characteristics of the quest for an affiliation. One was that a few leaders actively planned and acted to advance the goal and that the others followed. The second was that those leaders had become interested in the idea of

³¹ The members sought to involve the Cuba Community Development Corporation (Allegheny County, New York). [Kathleen Adams], Western NY NWO Collaboration Meeting Notes, June 15, 2011.

³² [Adams], Western NY NWO Collaboration Meeting Notes, June 15, 2011.

³³ [Eaton], “Phase II Affiliation Talking Points,” 2-3.

³⁴ [Eaton], “Phase II Affiliation Talking Points,” 2-3.

creating a new organization that would meld the participating groups into a new relationship with one another.

Possible Destinations but No Road Maps

To find potentially useful models for their joint endeavor, the directors considered different cases of collaboration from other parts of the United States. The Federation of Appalachian Housing Enterprises (FAHE), a highly successful network of nonprofit organizations, particularly interested the consultants and representatives of the western New York groups. In the early 2000s, FAHE underwent a dramatic change in structure and operations. FAHE's circumstances and process of change, however, differed significantly from those in western New York. With more than thirty groups located in four states, FAHE had a far greater scope and number of members than did the western New York groups. One part of the FAHE experience was relevant to the western New York groups: the idea, derived from Berea Performance Compacts, that members with strong expertise in a particular business area can be a resource for other members. This notion would be central to the western New York organizations' quest to affiliate with one another.³⁵

The *process* by which the FAHE members adapted was quite different than the way the leaders of the New York groups took on the task of creating an affiliation. In FAHE's case, the organization's leaders and funders imposed the change on its members from above. The leaders of the western New York organizations, in contrast, lacked an external force and, other than the fact that they were NeighborWorks America organizations, a shared perspective. From the beginning they acted as a group of independent equals and held tightly to their independence. The directors had quite different perspectives about organizations. The size, service areas, and type of operations of the groups differed greatly, which informed their perspectives. The divergence from the FAHE circumstances raised the question, what, when the going got difficult, would keep the western New York leaders marching toward the same goal?

³⁵ Since 2007 FAHE has been a chartered member of the NeighborWorks America network. Alan Okagaki, Federation of Appalachian Housing Enterprises: A Case Study (Federation of Appalachian Housing Enterprises, 2012).

The Lone Joint Venture

In concordance with Smith's advice, the groups' representatives sought to collaborate on business activities. At a meeting on August 23, 2011, they optimistically declared that within a month, three groups – Arbor, NeighborWorks Rochester, and NeighborWorks Home Resources – would launch joint ventures.³⁶ However, during the entire time they were building an organizational alliance, the groups only mounted one joint business venture, and it took almost a year to develop. NeighborWorks Rochester and NeighborWorks Home Resources agreed to start a rehab lending program together. NeighborWorks Home Resources lacked the capital to make loans but covered a relatively large service area. NeighborWorks Rochester, a designated CDFI, had capital to lend and could benefit by expanding its lending business outside Rochester to the rural areas that NeighborWorks Home Resources serviced.

After months of discussions, in June 2012 representatives of the two organizations completed a memorandum of understanding, a flow chart of the process, and a fee schedule. They agreed on a source of rehab loan funds, underwriting guidelines and procedures, and interest rates for the loans. NeighborWorks Home Resources would provide prospective borrowers with applications, collect pertinent information such as income and credit ratings, and deliver applications to NeighborWorks Rochester, where a part-time underwriter would process the loans.³⁷

Unfortunately, the NeighborWorks Home Resources staff found few qualified customers for the loans. The applicants discovered that the cost of the loan including the interest rate was more than they could afford or they were unable to meet the underwriting criteria. Between the launch of the program in 2012 and 2015, the rehab lending collaboration issued only one loan.³⁸

In order for the rehab loan program to succeed, NeighborWorks Home Resources would have to target a different group of people than those who typically used their services. To reach these customers would require the few staff members of NeighborWorks Home Resources to

³⁶ [Jeffrey Eaton], "Phase II Affiliation Talking Points 9.6.11," 3.

³⁷ WNYNWO [Ann G. T. Young], NeighborWorks Collaborative Model Grant Request FY13, June 4, 2012, 3; Western New York NeighborWorks® Organizations Affiliation Task Force, Meeting Notes, June 29, 2012, 3.

³⁸ Mark Sabella, interview with author by telephone, Corning, New York, June 3, 2015; Kim Brumber, interview with author by telephone, Rochester, New York, April 29, 2015.

make an extensive effort to advertise the loans – by distributing flyers, mailing postcards, and attending neighborhood meetings – and promote them to customers who came to the office. It would be time consuming to train staff members to understand and promote the new kind of loans and to identify different people than they were used to serving.³⁹

Taking any organization out of its accustomed framework is difficult, and doing so for a small group is even harder. Once the staff members of small nonprofit housing groups discover programs that fit their mission and for which they can procure funding, they tend to stay with them. These are the realities that aspiring collaborators will discover once they start working together. This is not to say that the obstacles could not or will not be overcome, but training and advertising would take time and therefore expense. This experience might have made the western New York collaborators cautious about proceeding, but NeighborWorks Home Resources and NeighborWorks Rochester were still adjusting their program and figuring out how they might gain customers when the larger affiliation effort came to a halt.

V. The Effort Begins in Earnest

In January 2012, the western New York organizations entered a new phase in the collaboration that would enlarge their service areas and add to their business lines. The executive directors felt that they had taken the exploratory process as far as they should by themselves and that any further work on the collaboration would need broad support from their organizations. They convened a larger working group, which they called the Western New York NeighborWorks Organizations Affiliation Task Force. It was comprised of three representatives from each organization, including the executive director, a board member and a senior staff person.

Meanwhile, the three original organizers, Brumber, Sabella, and Eaton agreed to engage a consultant and, on Brumber's recommendation, hired Ann Young, a former board member at NeighborWorks Rochester who consulted with nonprofit organizations on planning, evaluations, and governance. The three directors hired Young to help the directors and members of the larger body of representatives learn about different organizational models,

³⁹ Sabella, interview; Brumber, interview, April 29, 2015.

choose one, and plan how to implement it. In the following eight months, Young facilitated a series of meetings in which the representatives of participating organizations considered alternative modes of collaborating and ultimately choosing one.⁴⁰

Seeing Advantages and Threats

On January 13, 2012, Young facilitated the introductory meeting of the task force. The assembled representatives reviewed the possible advantages and threats in forming an affiliation. The task force members envisioned that their groups could have greater success at economic development, expand their service areas, achieve economies of scale, increase their capabilities, reduce their expenses and become more efficient. The “expected challenges” the task force members listed reflected a desire to maintain the existing organizations – their identities and objectives, geographic service areas, staff members, and independent control of operations. The task force members emphasized that in the process larger organizations must not absorb smaller ones.⁴¹

The participants’ fear of losing their previous purpose and autonomy contradicted the impulse to submerge the practices of the individual organizations into a collective structure. In order for the collaboration to be successful, either the fears would have to be allayed or any future affiliation would have to be relatively limited in scope. As it turned out, the participants in the affiliation meetings tended to postpone the difficult decisions about specific functions of the organizations and their staff in the new alliance. Although understandable, this approach allowed anxieties to fester below the surface.⁴²

Propelled Toward Union

The following month, Young organized a retreat at which the task force members took up substantive issues related to forming an alliance. Representatives of board and staff members from all five groups – Arbor Housing and Development, NeighborWorks Home Resources, NeighborWorks Rochester, Niagara Falls NHS, and West Side & Black Rock-Riverside NHS – then

⁴⁰ Kim Brumber, interview with author, Rochester, New York, January 22, 2015; Ann G. T. Young, interview with author by telephone, Rochester, New York consultant, April 8, 2015.

⁴¹ [Ann G. T. Young], WNYNWO Affiliation Task Force, Kick-Off Meeting Notes, January 13, 2012.

⁴² The task force listed its opposition to a takeover or “bailing out” an organization after which it specified that large organizations not pose a threat to smaller ones. [Young], Kick-Off Meeting Notes, *ibid.*

examined different examples of existing affiliated networks to understand the possible organizational arrangements.⁴³

Of these, the Legal Assistance of Western New York offered a relevant example of an organization that was formed out of five existing nonprofit organizations of diverse sizes and budgets, much like the western New York housing groups. Unlike NeighborWorks chartered organizations, the Legal Assistance of Western New York organizations offered exactly the same services albeit in five different counties. As in the earlier discussion of organizational models, the task force members did not study nor discuss the process through which the groups created and joined the new affiliation.⁴⁴

The task force then set up three sub-committees or “work groups,” to determine how to distribute organizational functions in a new arrangement. The first work group took up the crucial question of what type of affiliation, either a nonprofit shared services organization to provide back office functions to the participating organizations; a “strong 501(c) 3 umbrella organization” composed of the participating organizations; or a merger of all the groups into a new large nonprofit organization. The other two work groups took up the topics of assessing programs and internal functions – such as accounting, human resource administration, and insurance – and determining whether they should be shared among the affiliated groups or moved to a new organization. For additional expertise, the task force invited some staff members to join the work groups.⁴⁵

Their investigations propelled the members of the western New York groups toward some sort of union and/or new organization. “It seemed like everywhere we thought we might be able to gain an advantage,” Kim Brumber observed, “we couldn't.” They discovered, for example, that sharing back-office services would not necessarily provide the savings they had hoped for unless participating groups legally affiliated with one another.⁴⁶

⁴³ [Ann G. T. Young], WNYNWO Task Force Retreat Notes, February 24, 2012, 1.

⁴⁴ The other models were FAHE, the network of 30 organizations described above; the Al Sigl Center, a resource provider for specific disease and medical rehabilitation institutions in the Rochester and Syracuse region; and the Hillside Family of Agencies, a network of children’s social work and mental health organizations staffed by more than 2,000 people in 50 locations in New York and Maryland. [Ann G. T. Young], Affiliation Model Examples, for use at WNYNWO Task Force Retreat, February 20, 2012.

⁴⁵ [Young], WNYNWO Task Force Retreat Notes, (quotation) 4.

⁴⁶ Brumber, interview, January 22, 2015.

In May the task force members reconvened and began to envision the kind of affiliation they could adopt. The organizational-model work group reported that there were three types of organizations worth considering. The first type was a nonprofit “umbrella organization,” under which the NeighborWorks America groups would survive as subsidiaries. The second form of affiliation was a merger of the existing groups into a single new organization; and the third was a nonprofit organization that would provide services to all the member groups. After considering organizational structure, internal operations, management, finances, and public relations, the work group concluded that the umbrella organization offered more advantages than the other arrangements. Reflecting the members’ concerns about keeping the existing organizations intact, the work group decided that only the umbrella entity allowed the individual organizations to control a new entity.⁴⁷

After a vigorous discussion, the task force members decided what at a minimum they would want an affiliation to achieve. The four principles or, as they liked to call them, “must haves” revealed a reluctance to let go of their current organization’s business and personnel. The new entity must, the task force members declared, (1) win new customers and at the same time (2) retain local markets in the organizations’ current service areas. They also felt the new alliance (3) should provide better or the same quality of services at a lower cost while (4) making administration functions more efficient and inexpensive. Yet the gains in efficiency should not eliminate any current jobs. “A guiding principal from the beginning,” according to Laura Sweat, then a staff member for West Side NHS, was that “to keep everybody on and keep our local programs.” As if to underline the commitment to preserving the existing groups, the task force then engaged in a lengthy dialogue about the importance of maintaining the local identity of the respective organizations and agreed to examine further the advantages and drawbacks of establishing a common identity across organizations.⁴⁸

⁴⁷ In the discussion of the organizational-model work group’s report, task force members proposed another model, in which one organization would serve as the fiduciary agent for the others that allowed the participating organizations to continue to exist. At the same time, some criticized the shared services type of organization because it would require a new structure that would create additional costs for individual organizations, including the small ones that could least afford them. WNYNWO Affiliation Task Force, Meeting Notes, May 18, 2012, 1-3; WNYNWO Organizational Models Workgroup, Comparison of Alternative Models.

⁴⁸ WNYNWO, Meeting Notes, May 18, 2012, 3; Laura Sweat, interview with author, Buffalo, New York, March 17, 2015.

Movement toward an Alliance

In the summer of 2012, the task force members finally moved towards deciding what sort of alliance the western New York organizations would form. On June 29, the task force members held a key meeting in which it moved tentatively towards establishing an umbrella type of organization. The group seems to have been particularly influenced by a group Brumber had investigated for them. Neighborhood Housing Services of New York City had a central umbrella organization, many quasi-independent member organizations, and representatives of the local groups in the management and board of directors of the central organization.⁴⁹

In a planning exercise, Team 1 proposed a new nonprofit organization governed by a board of directors and managed by a management committee of the CEOs of other organizations. The constituent organizations would house particular major programs (such as homeowners, rehab, lending) and important back office functions (such as benefits, payroll and accounting, audit and financial reporting).⁵⁰

Team 2 took a more conservative approach by proposing a variant of the shared services model. It also would have created a new 501(c) 3 organization, but merely to carry out back-office functions such as payroll and accounting, and two new subsidiaries, a CDFI lender (which NeighborWorks Rochester already was) and a provider of energy/technical services. The existing organizations continued as before, although in the scheme they all ran the same homeownership, rehab, and loan origination programs.⁵¹

In their subsequent discussion, the participants leaned toward Team 1's proposal for a new overall entity. There were many questions, however, concerning costs and practical arrangements such as fundraising. Someone suggested that the board of directors of a new entity could be drawn from the board members of the existing organizations, an idea that was eventually adopted.⁵²

⁴⁹ Unlike the western New York merger, however, Neighborhood Housing Services of New York City began life with an umbrella structure: it was initially incorporated with seven branch offices and then it added another by merging with Neighborhood Housing services of Jamaica Queens. WNYNWO Affiliation Task Force, Meeting Notes, June 29, 2012, 1-4; Attachment A; Neighborhood Housing Services of New York City, Our History, <http://www.nhsnyc.org/en/about-us/our-history>.

⁵⁰ WNYNWO Affiliation Task Force, Meeting Notes, June 29, 2012, 5, Attachment B.

⁵¹ WNYNWO Affiliation Task Force, Meeting Notes, June 29, 2012, 5, Attachment C.

⁵² WNYNWO Affiliation Task Force, Meeting Notes, June 29, 2012, 5-6.

By the time of their August meeting, the task force members had begun to accept the idea of amalgamating their organizations, even if they had not chosen a format. Their respective boards of directors were still committed to the “planning process,” they noted, although some board members worried that an affiliation might reduce the number of staff positions and programs and undermine their organizations’ identity and autonomy.⁵³

The task force members identified a key question: would the organizations have to retain their current 501(c) 3 statuses in order to continue to receive funding for their local programs? All the groups, but particularly the smaller ones, felt vulnerable to cuts in funding., The task force members determined to investigate what impact a merger would have on New York’s neighborhood preservation and rural preservation program grants, bank donations, and NeighborWorks America funding.⁵⁴

At the meeting, members heard the results of a conference call among the participating executive directors. In it they expressed their willingness to relinquish their existing responsibilities. They agreed that given its greater administrative capabilities, Arbor Housing and Development should take the lead in the affiliation, although some thought NeighborWorks Rochester would be a better leader as far as housing programs went. Discussing an issue that would later become controversial, the directors stated that one of the current four remaining directors should be named the CEO of the new organization, and that the board of the new entity should make the hiring decision. As to another question that later proved contentious, the directors voted to locate the headquarters of the new organization in one of the current offices, because it would be too costly to set up a new office.⁵⁵

Fault Lines

By this time, if not from the beginning, Kim Brumber of NeighborWorks Rochester and Jeff Eaton of Arbor Housing and Development were the leaders of the affiliation effort. They coordinated with one another, generated ideas, and carried out major tasks. More importantly, the other participants in the western New York affiliation looked to them to lead the process.⁵⁶

⁵³ WNYNWO Affiliation Task Force, Meeting Notes, August 17, 2012, 2.

⁵⁴ WNYNWO Affiliation Task Force, Meeting Notes, August 17, 2012, 1-2, 4, Attachment B, Attachment C.

⁵⁵ WNYNWO Affiliation Task Force, Meeting Notes, August 17, 2012, 1-3.

⁵⁶ Adams, interview; Brumber, interview, January 22, 2015; Eaton, interview, December, 10, 2014; Chiarenza, interview.

Yet not all participants were completely on board. During her stint as facilitator that lasted until August 2012, Ann Young sensed that in meetings few members expressed their true opinions and some did not seem fully committed to the goal of affiliation. On the ad-hoc financial analysis committee, Arbor's vice-president for finance and asset management, who in the absence of other volunteers acted as de facto chair of the committee, requested financial information that some committee members were slow to provide.⁵⁷

In fact, some task force and committee members had become uneasy about the role of Arbor. These participants concluded that Arbor's way of operating, which some referred to as "business culture," differed sharply from that of the other groups. They attributed the disparity to the difference between the core businesses: Arbor's emphasis on supportive health services and rental housing versus the other groups' reliance on homeownership, rehab, and lending. At the same time many task force members admired Arbor for the size of its budget and programs, such as real estate development, and for the talent and skills of its officers.⁵⁸

But in the context of underlying concerns about preserving the existing organizations and individuals' jobs, the style of Arbor's leaders rubbed some the wrong way. After listening to Eaton, a board member from one of the other organizations concluded that the Arbor director really intended to take over the other groups. On the financial analysis committee, some members, it was said, interpreted the de-facto chair's efforts to organize the committee's tasks as being pushy.⁵⁹

The repeated absences of Arbor's board member from task force meetings also contributed to doubts about Arbor's leadership. In August 2012, after Arbor's board representative had missed three consecutive meetings due to business travel, Eaton assured the task force that his board was committed fully to the affiliation. Unfortunately, the absences of an Arbor board

⁵⁷ Meeting Notes, August 17, 2012, 2-3; Young, interview; Matthew Hjelmhaug, telephone interview with author, Rochester, New York, February 13, 2015; Mary Joan Glanton, interview with author, Corning, New York, January 23, 2015.

⁵⁸ Eaton, interview, December 10, 2014; Hjelmhaug, interview; Brumber, interview, January 22, 2015; Chiarenza, interview.

⁵⁹ Daniel Hawrylczak, interview with author, Buffalo, New York, March 17, 2015; Glanton interview.⁶⁰ WNYNWO Affiliation Task Force, Meeting Notes, August 17, 2012, 1; Brumber, interview, January 22, 2012; Hawrylczak, interview.

member contributed to an impression that the Arbor board was a “rubber-stamp” that approved whatever Eaton proposed.⁶⁰

Nonetheless, throughout 2012 the desire of task force and committee members for an alliance that would provide greater revenues, new business lines, and a regional presence was still strong enough to overcome any misgivings in the ranks.

VI. Building a New Association

To Build a Structure, at Last

The following year, the leaders of the five organizations moved decisively and unanimously toward merging their respective organizations. In December 2012 the task force members contracted with two outside parties to help them create a new entity out of the existing groups. They engaged Enterprise Community Partners to conduct a financial analysis of each of the groups and a potential new organization with their combined assets, and hired the law firm of Harter Secrest and Emery, LLP, to recommend an organizational structure and assist them in constructing it.⁶¹

At a task force meeting in February 2013, the attorneys delivered a plan to amalgamate the existing organizations into a new legal structure. They proposed creating an umbrella or parent corporation and converting the existing organizations into subsidiary operating divisions for their respective regions. The new arrangement would combine governance and tax reporting and consolidate all back office functions, creating the efficiencies the western New York leaders had long sought.⁶²

In this proposal, the respective boards of directors would give up their authority as directors to become local advisory boards or councils, whose duties were to promote programs within

⁶⁰ WNYNWO Affiliation Task Force, Meeting Notes, August 17, 2012, 1; Brumber, interview, January 22, 2012; Hawrylczak, interview.

⁶¹ WNYNWO Affiliation Task Force, Meeting Notes, August 17, 2012, 4-5; WNYNWO, NeighborWorks Collaborative Model Grant Request FY13, 2-3; WNYNWO, NeighborWorks Collaborative Model Grant Request, June 4, 2012, 6, Appendix E.

⁶² Since each group had numerous outstanding contracts – including government grants, service agreements, loans, and partnerships – the contracts could remain with the current organizations, which would be turned into special purpose companies, which nonetheless the umbrella company would control. Memorandum, Joseph G. Casion and Joshua E. Gewolb to Western New York NeighborWorks Organization Task Force, February 13, 2013, RE: Preliminary Recommendation for Collaboration Framework.

their particular geographic areas and communicate local needs to the parent organization. This would allow the participating divisions to retain their local identities. It also would enable the new organization's officers to seek grants and run programs either locally or regionally. "We can appear as one large organization when needed," Kim Brumber remarked, "and as smaller local organizations when that is to our advantage."⁶³

Moreover, the subordinate divisions would not completely relinquish their individual powers to the umbrella corporation; in one sense, the divisions would control the parent. Each local affiliate would have representatives on the board of "UmbrellaCo," as the lawyers dubbed it. At a February task force meeting, attended by board members from every group except NeighborWorks Home Resources, the attorneys explained that although the leaders of the existing groups would surrender authority, in fact they would retain control via the board of directors of the umbrella company. "UmbrellaCo is us," a task force member observed.⁶⁴

Most importantly, each of the existing organizations would have the same number of representatives on the umbrella company's board of directors. Regardless of size, all the groups – six in total including Black Rock-Riverside NHS, which the task force later agreed to give separate standing – had an equal number of votes in the controlling body. That meant that Arbor, the largest group, could be outvoted easily, a fact which was largely overlooked when the greater affiliation effort began to fracture.

The attorneys took pains to point out that UmbrellaCo had the power to close down a line of business. If a majority of the representatives of the subsidiaries felt a particular activity lost money or required too much subsidy, the board members and officers could discuss the issue and, even if the business was popular, decide to terminate it. In other words, the existing western New York groups would lose the autonomy they had previously exercised. To accept the model, the leaders had to believe that surrendering their independent status (and NeighborWorks America charters) to join the new organization would be worth it.⁶⁵

A week later the task force members met and approved the UmbrellaCo model. They agreed that it would meet the objectives they had set in the meetings of the previous year.

⁶³ Ibid; WNYNWO Affiliation Task Force, Meeting Notes, February 22, 2013, 1.

⁶⁴ Ibid.

⁶⁵ Josh Gewolb, telephone interview with author, Rochester, New York, May 1, 2015.

Once again task force members raised the issue of employees retaining their jobs, and again the executive directors affirmed their intention to retain all existing staff members.⁶⁶

Taking the Big Step

After almost three years of investigating and discussing, the time had come for the organizations to decide whether or not to proceed with the merger reorganization. First, the task force members agreed, representatives would present the reorganization proposal to each group's board of directors. Second, the boards would vote on whether their organization would participate. The task force sent various members – including a West Side & River Rock board member, an attorney, available executive directors – usually accompanied by Kate Adams, now working as a facilitating consultant, to present the proposal to each of the boards. “We presented the structure that we thought would be final,” Brumber recalls, “and we said we need to know if you're in or out because we need to know if we should invest the money it's going to take to actually make it happen.”⁶⁷

The presentations went smoothly, but many board members seemed unaware of the progress the task force had made or perhaps had only begun to grasp the direction of the collaborative discussions. They did not expect such a sweeping proposal and raised numerous questions. What would happen to funds now raised or held by the local groups? Who would decide about projects run by a local affiliate? How would the divisions' budgets be apportioned? Would the scheme affect the current access to funds from New York State, NeighborWorks America, and HUD? How would the transformation affect the identity of the local bodies? How much would the whole thing cost? ⁶⁸

The task force representatives and the executive directors stressed the advantages of the reorganization and stated that approving the resolution was necessary for the effort to proceed. Funding was drying up, and small organizations would have to combine in order to survive. The plan had potential to increase the groups' business and revenues and expand their geographic reach, funding levels and programs. Despite the loss of autonomy, the plan would

⁶⁶ WNYNWO Affiliation Task Force, Meeting Notes, February 22, 2013, 1-2.

⁶⁷ Brumber, interview, January 22, 2015; Adams, interview.

⁶⁸ WNYNWO Collaborative Reorganization Task Force, Meeting Notes, April 26, 2013, 1.

provide local communities with more services delivered and offer opportunities to staff members to acquire new skills and higher positions.⁶⁹

The NeighborWorks Home Resources board was overtly skeptical. Led by their chair, the board members objected to the loss of local control, especially if they needed to obtain approval for local projects from UmbrellaCo. They doubted that this configuration was in everyone's best interest and asked that the task force consider other models of collaboration. They worried about incurring liabilities from other divisions and losing their existing line of credit. Above all, the chair insisted that they should not accept the proposal without a detailed cost-benefit analysis, a demand that could not be met since the details of the arrangements had not yet been determined.⁷⁰

In April 2013 the boards of Arbor Housing and Development, Niagara Falls NHS, NeighborWorks Rochester, and both West Side and Black-Rock Riverside NHS groups approved the resolution to endorse the reorganization plan. NeighborWorks Home Resources tabled the resolution and asked for additional information even though the staff and board understood that in an increasingly harsh environment for nonprofit organizations, combining forces would allow the small groups to survive and even flourish. In the following months the board of NeighborWorks Home Resources wrote and eventually approved its own version of the resolution.

Although all the groups had endorsed the idea of a union, many participants privately harbored reservations. Kate Adams thought that the boards gave only conditional approval, agreeing only to continue to participate in the planning. Even directors had doubts. Kathy Steinman supported the plan but withheld judgment to ensure that any agreement did not endanger the direct funding Niagara Falls NHS received from HUD. For all concerned, merging into a large association demanded a leap of faith that the future arrangement would preserve those features of the existing organizations that their leaders valued.⁷¹

⁶⁹ WNYNWO Collaborative Reorganization Task Force, Meeting Notes, April 26, 2013, 2.

⁷⁰ Ibid, 1-2; Sabella, interview; Trent, interview.

⁷¹ Adams, interview; WNYNWO Collaborative Reorganization Task Force, Meeting Notes, April 26, 2013, 1; Steinman, interview.

Once the five groups had formally approved integrating their organizations into the umbrella structure, the task force turned to building the structure. The members needed to define the functions and responsibilities of UmbrellaCo, its new divisions, and advisory councils as well as develop financial systems to manage the new organization. To accomplish these goals, the task force set up committees on finance, human resources, governance and bylaws, and communications and identity. A fifth committee, comprised of executive directors, would “continue to play a major role in coordinating and integrating Task Force decisions and recommendations.”⁷²

Eaton and Brumber, often in consultation with the lawyers and with the backing of the entire group, led the effort. They both acted as principal coordinators of the crucial governance committee, where Brumber led conference calls and Eaton drafted the suggestions of committee members into an implementation plan, which Brumber reviewed. Brumber took the lead in the finance committee, which was working to develop a common financial framework. Fundraising and relationships with funders – particularly, New York State and NeighborWorks America – fell to Eaton.⁷³

Throughout the summer and fall of 2013 the reorganization effort continued to make progress. Enterprise Community Partners delivered the financial analysis of the individual organizations and their aggregated assets and liabilities. The groups investigated a common package of compensation and benefits, created a draft of corporate bylaws, began to determine the elements of the proposed new umbrella arrangement, and secured significant funds for planning and implementation. The group submitted a funding request to NeighborWorks America and developed a three-year plan for integrating the existing organizations into the new umbrella structure.⁷⁴

VII. The Umbrella Folds

Dissension over the Organizational Chart

⁷² Western NY Collaborative Reorganization Task Force Meeting Notes, April 26, 2013, 2, 3-5.

⁷³ Western NY Collaborative Reorganization Task Force Meeting Notes, June 24, 2013; Western NY Collaborative Reorganization Task Force Meeting Notes, September 6, 2013.

⁷⁴ WNYNWO, NeighborWorks Collaborative Model Grant Request FY13, 3-7.

As the number of staff members and board members involved in the subcommittees grew, so did the number of disagreements, many of them focused on Arbor's role. As before, most people involved in the meetings and conference calls still did not raise any objections. A few board members did balk at proposals which they felt gave Eaton and Arbor the upper hand. These disputes raised a fundamental question. When founding a nonprofit organization, who has the authority to decide important questions pertaining to organizational structure, personnel, methods and tools?

Selecting the individuals who would hold the chief offices of the new organization generated perhaps the most controversy. At the April 2013 meeting of the task force, Brumber presented a proposed organization chart for UmbrellaCo, which Eaton had drafted based on group discussions and which she and the other executive directors had accepted. It placed Eaton as president and CEO, Brumber as senior vice-president and chief operating officer with oversight of the five divisions/companies, and two Arbor senior staff members, who were considered most willing and able, as vice presidents of administration and finance. The minutes of the meeting record that "general reactions from the Task Group were positive." One task force member recalled that the group considered and discussed the chart and then approved it unanimously.⁷⁵

In regard to the choice of CEO, the task force had never questioned the earlier agreement of the executive directors that one of them would lead the new organization. The directors had discussed the matter: Brumber did not want to take the helm, Chiarenza planned on retiring, and the other two directors were not interested. Hence, they decided that Eaton would head UmbrellaCo and Brumber would be second in command.

It seemed an ideal deployment of talents. Eaton liked to wrestle with the big picture – business strategy and fitting the puzzle parts of the organization together. Moreover, he enjoyed the public life of a leader, meeting and interacting with high-level government and foundation officials. By her own account, Brumber was comparatively introverted but skilled in building and coordinating a team, running operations, and implementing a business model. She

⁷⁵ WNYNWO Collaborative Reorganization Task Force, Meeting Notes, April 26, 2013, 2; Visio-Organizational Chart 1 Corporate, April 19, 2013; Kim Brumber to Jeffrey Eaton and Kate Adams, e-mail message, subject: Org Chart version 1, April 19, 2013; Whitney, interview.

looked forward to supervising and working with the local directors. In the affiliation plans, which Eaton and Brumber worked on together, the job descriptions of the CEO and COO positions neatly matched their own skills and proclivities.⁷⁶

In addition, the directors and task force had also agreed to save the time and money of hiring a new set of employees by transferring staff members from the existing organizations into offices of the new umbrella organization. Hence, in the proposed organization chart and other documents, Eaton named Arbor's vice-president for finance, chief operating officer, and director of real estate development to top slots in the new organization. This was going to be a big job, Eaton reasoned, and his staff had the most experience and expertise in the largest operation among the groups.⁷⁷

However logical it might have seemed from a purely practical standpoint, the heavy reliance on Arbor senior staff did not go down well with many on the task force, especially the board members of the other organizations. They felt it placed too much power in the hands of Arbor's employees and ignored the skills and talents of the staff members of the other organizations, and some were upset that Eaton had nominated his real estate director without getting their approval. Some also objected to situating the UmbrellaCo headquarters at Arbor's new office, a choice that followed from the selection of Arbor officers. More fundamentally, some of the board members challenged the authority of the executive directors to make the appointments at all, and thought the board should control the hiring of the CEO.⁷⁸

For Eaton, hiring staff was the prerogative of the top executive. Yet he felt that the issue was complicated by the approach of some of the other groups' board members, who he thought were too involved in executive decisions for efficient governance. In retrospect, a more strategic approach would have balanced the goal of rank-and-file support against that of efficiency by distributing the upper positions among members of different organizations.⁷⁹

⁷⁶ For example, according to a plan that Eaton developed, the president/CEO would be "responsible primarily for external relationships and overall organization operations;" the Senior Vice President/COO would "provide direction and support for local programming to the local Divisions." Eaton, interview, December 10, 2014; Western New York Affiliation [Eaton], Implementation Plan, September 25, 2013 – Draft v. 2, 3.

⁷⁷ September 25, 2013 WNY Affiliation Implementation Plan, 2; Eaton, interview, December 10, 2014.

⁷⁸ Steinman, interview; White, interview; Hawrylczak, interview.

⁷⁹ NeighborWorks America, Western NY Collaboration Meeting Notes, January 24, 2014; Eaton, interview, December 10, 2014.⁸⁰ WNYNWO, NeighborWorks Collaborative Model Grant Request FY13, 3 ("aggressive");

Objections and Doubts

The time table for implementing UmbrellaCo helped trigger an increasing number of conflicts. Having adopted an “aggressive” three-year schedule for full implementation, in September 2013 the task force leaders proposed establishing the new organization in early 2014, building its structure gradually over the course of the year, and have it operating fully by January 2015. Even after all this time, for many participants this was simply too soon. The prospect of subsuming their groups into the large structure had always seemed troublesome, and now they felt pushed to do it before they knew enough about the new arrangements.⁸⁰

Some staff and board members objected to Eaton’s way of pressing forward. On a governance committee conference call to develop bylaws, for example, a NeighborWorks Rochester board member raised questions about proposed procedures he had drafted and which she considered too vague. He did not have answers yet, feeling they were to be worked out in the future. Yet she became frustrated with Eaton for not responding adequately to her questions⁸¹

Others were concerned about specific issues. The principal staff member at West Side NHS worried that in the new organization Arbor officials might adopt Arbor’s policy of requiring all programs to be self-funded. That would jeopardize non-revenue programs such as community building, which relied on grants for funding.⁸²

The chair of the board of NeighborWorks Home Resources adamantly opposed the whole idea of a merger. Not everyone took him seriously, but a few thought he may have helped poison the well of the larger group’s deliberations.⁸³

In the fall of 2013, even as the movement for a merger proceeded, communication – that vital part of any process of change – broke down. In meetings and during conference calls only a few challenged Eaton, but outside the meetings people complained to each other frequently.

WNY Affiliation, Implementation Plan, 2; [Brumber], Western New York Affiliation Operating Agreement, draft,” September 21, 2013, 2.

⁸⁰ WNYNWO, NeighborWorks Collaborative Model Grant Request FY13, 3 (“aggressive”); WNY Affiliation, Implementation Plan, 2; [Brumber], Western New York Affiliation Operating Agreement, draft,” September 21, 2013, 2.

⁸¹ Kelley Ross Brown, interview with author by telephone, Rochester, February 19, 2015; Adams, interview; Brumber, interview, January 22, 2015.

⁸² Sweat, interview.

⁸³ Sabella, interview; Whitney, interview.

As the directors and board members of the northern groups talked among themselves, several came to view Eaton and Arbor Housing and Development with great distrust. Ironically, these unhappy members of the affiliation effort responded to their suspicion that Eaton was hiding his true feelings by hiding theirs.

For his part, Eaton did not realize the effect his proposals and responses were having on the other participants in the affiliation effort. As far as he was concerned, the groups' board members had voted to approve the changes, and few people raised objections. He proceeded in the belief that he was implementing the collective group's orders.⁸⁴

The Dissolution

In late fall 2013 the three-year quest to create an alliance quietly began to dissolve into opposing factions, with the three northern groups moving away from the two southern organizations. NeighborWorks Rochester's Brumber felt she should protect the interests of the Buffalo and Niagara Falls directors, whom she had invited into the alliance. From her conversations with Eaton, Brumber felt that he was too impatient with some of the board members and was not committed to preserving the local identities of the groups.⁸⁵

Prior to the break-up of the affiliation effort, Brumber and the consultant Kate Adams did not convey to Eaton the extent and nature of unhappiness among directors and board members. Either they did not express themselves as bluntly as they thought they did or he failed to understand the urgency of their message. Not until a few days before the three groups pulled the plug did Eaton sense that it was time to stop, reconsider, and seek another approach, and even then nothing he had heard indicated to him that the effort was in danger of falling apart. By this time, Brumber had concluded on her own that she as a COO would have little say in the new organization led by senior staff from Arbor.⁸⁶

After weeks of talking about their discontent, in December 2013 Brumber, Chiarenza and Steinman moved to dissolve the alliance by removing Arbor from the collaboration. Shortly prior to a scheduled conference call of all the participating directors, Brumber called Eaton to

⁸⁴ Western NY Collaborative Reorganization Task Force Meeting Notes, June 24, 2013; Western NY Collaborative Reorganization Task Force Meeting Notes, September 6, 2013; Rumbold, interview.

⁸⁵ Brumber, interview, January 22, 2015; Steinman, interview.

⁸⁶ Ibid; Eaton, interview, October 2, 2015.

notify him personally of the decision by the three organizations. On the conference call, she and the other directors reiterated their refusal to proceed with Arbor. This news came as a complete surprise to Sabella, who was deeply upset to learn he had been kept in the dark. The three directors had consulted little, if at all, with board members before their decision. All concerned, even Eaton's critics, agreed that the situation was handled badly.⁸⁷

The denouement finally brought into the open divisions that had been lying under the surface from early in the beginning of the affiliation effort. After two and a half years of meetings, the participants in the original affiliation effort found themselves unable to address the conflicts that arose from the attempt to unite their organizations. The leaders of the three northern urban groups now voted to dissolve the task force and set up a steering committee to create an affiliation of their organizations and NeighborWorks Home Resources if its board agreed.⁸⁸

VIII. Lessons for Collaborative Mergers

The View from Inside

Organizational Cultures

The dissolution of the first effort to create a collaborative merger among the NeighborWorks-chartered organizations of western New York offers important lessons to those who work in the fields of housing and community development. To learn those lessons, we must understand why the different parties were unable to come together.

The people who participated in the merger process believe that an important cause of their difficulties was the disparity between the organizational cultures of Arbor Housing and Development and the other NeighborWorks America groups. They ascribed the difference to Arbor's core business of delivering human services and Eaton's previous experience as an administrator in a mental health agency, as opposed to the NHS groups, which emphasized homeownership counseling, lending, and community engagement.

⁸⁷ Adams, interview; Brumber, interview, January 22, 2015; Sabella, interview; Hawrylczak, interview.

⁸⁸ Adams, interview; Kate Adams, Western New York Affiliation Process – History, March 24, 2014.

Certainly the NHS groups differed from Arbor. They were smaller. Their board members included residents engaged in local civic affairs. Their staff members and board members valued relationships with one another and residents of their service area and felt it was important that all parties have an opportunity to discuss issues in order to reach general agreement. They felt rooted in their communities and carried out a range of local improvement projects.⁸⁹

Unlike the NHS organizations, Arbor was a hybrid of a housing-oriented service coordinator for people with special needs and a regional nonprofit development corporation. Nonetheless, as its original name, Steuben Churchpeople against Poverty, expressed, Arbor was “mission-driven.”⁹⁰ Although its service area was too large to have the kind of neighborhood relations that the NHS groups had, Arbor had won and maintained the support of local officials and residents for its special services and low-income housing development.

From the NHS groups’ point of view, however, Arbor’s size and business lines generated top-down decision making that was incompatible with the grass-roots process that characterized Neighborhood Housing Services organizations. True, Arbor was a relatively large organization whose staff members on the spectrum of organizational behavior fell more often in the “task-oriented” than the “maintenance” (sometimes known as “relations-oriented”) category.⁹¹ This could explain why some non-Arbor participants felt that the Arbor board and staff members simply carried out their director’s wishes, a claim that the Arbor people strenuously deny. Furthermore, Eaton’s leadership style put off a number of NHS people, including those who feared he might change their organizations or jobs.

From Arbor’s point of view, however, any influence on policy and strategy its former executives might exert was more than offset by its minority status on the umbrella organization’s board. Despite its relative size, Arbor would be represented by only three of the

⁸⁹ Eric Van Dusen, interview with author, Rochester, New York, January 22, 2015; Sweat, interview; West Side Neighborhood Housing Services, *Annual Report 2012*, 4.

⁹⁰ It is perhaps worth noting that the nonprofit housing field includes successful “mission-driven” organizations that provide human services. Under the leadership of Sister Lillian Murphy, who had previously worked in the administration of hospitals run by the Sisters of Mercy, a Roman Catholic women’s religious order, Mercy Housing, became a national umbrella-type housing organization many of whose affiliates specialized in supportive services.

⁹¹ A recent investigation of these types of organizational behavior is Joseph B. Holloway, “Leadership Behavior and Organizational Climate: An Empirical Study in a Non-profit Organization,” *Emerging Leadership Journeys* 5:1 (2012), 9-35.

eighteen board members. An alliance of board members from even a few of the NHS groups could easily outvote the Arbor representatives.

At a general level, the clash of organizational cultures reveals a fundamental tension in the housing and community development fields between the goals of high productivity and local identity. The principal reason that experts in the field and officials in intermediary organizations such as NeighborWorks America have promoted collaborations and mergers is to improve the effectiveness and production of organizations. The goals of productivity and efficiency can conflict with the locally rooted resident-led way of conducting business. There is no correct resolution of this tension; rather parties must find a balance that preserves the sense of organizational identity while improving and sustaining methods of operations.

Staff-driven versus Board-driven Process

Several participants, particularly those connected to NHS groups, also felt that the merger discussions were fundamentally flawed because they were “staff-driven,” not “board-driven.” They felt that the board members should have had more authority in setting up the new organization.⁹²

Certainly the involvement and support of organizations’ board members is necessary to pull off a merger of this sort successfully, and arguably the board members were not consulted early and often enough. Yet it is difficult to imagine volunteer board members imagining, initiating, and devoting the time to organize such a long and complex process. Without Eaton and Brumber leading the way, the affiliation effort would never have gotten as far as it did; indeed it would never have occurred in the first place.

The View from Outside

The analyses of the participants are instructive, but inevitably biased by the immediacy of personal experience. Viewed from an outsider’s perspective, the history of the affiliation effort reveals several other reasons for the inability of the original five groups to merge.

Fewer Is Better

The first pitfall was the large number of groups involved. The merging of several groups is bound to be more complicated than the merging of two. Two parties will have to work out

⁹² Adams, interview.

their differences between them, and the areas of negotiation and coordination will be fairly obvious. It is a relatively simple matter to ensure that both parties receive the same information and understand it in the same way. Merging three organizations would be more difficult, but at least the interactions are relatively straight forward and it is still possible to keep track of the communications between the involved participants. More than three groups, however, is probably too many for a volunteer merger. The participation of four or more organizations invites the formation of factions, such as what happened in the western New York case. Of course, a merger forced upon several parties might work, even if it was not a happy experience, because representatives of participating organizations are primarily motivated to protect their group's interests against the central authority, not against other groups. But in general, merging between two parties is simpler and more feasible than merging five.

Differences Create Complications

Not only were there several organizations trying to merge, but they varied dramatically from one another. If the organizations had all been similar, the collaboration would have been easier, but differences in size, volume of business, types of programs, and geography further complicated the merger process. The number of employees ranged from Arbor with about 100 employees to NeighborWorks Home Resources, with three.

The two rural companies, Arbor and NeighborWorks Home Resources served areas that spread over multiple counties, whereas West Side NHS and Niagara Falls NHS were for practical purposes focused on neighborhoods within their respective cities. NeighborWorks Rochester, in contrast, worked across the city and had recently expanded into Monroe County. Everyone remarked on Arbor's unique combination of programs, but so too did NeighborWorks Rochester with its CDFI lending and energy services. Even the three smaller NHS groups had different lines of business. Arbor and NeighborWorks Rochester were extremely strong financially, the others ranged from strong to just getting by.

More fundamentally, the markets of the different areas differed sharply. Even though poverty plagued Rochester and Buffalo, the cities were booming compared to Niagara Falls and

some of the rural areas of western New York. This had direct implications for what programs would work or not in each service area.

Meshing the different organizations into some unified structure or even collaborative ventures would mean addressing these variations. It is not that it was impossible, but everyone involved underestimated the significant difficulty it entailed. The strains of diverse size were evident during the collaboration effort. Executive directors of the smallest groups lacked staff members to either share the committee work or take up the slack while the director spent time at meetings and doing homework.

The lesson is that leaders seeking to merge diverse organizations need to understand the differences between organizations and what steps may be needed to resolve them.

Learn by Doing!

Because of the complexity of the undertaking, it would have been better if the groups had begun by trying out joint ventures with two or more organizations. Prior to the affiliation, executive directors and staff of the organizations had in different combinations consulted with one another on business matters. Eaton and Brumber talked over the problems their organizations faced, and Steinman felt comfortable calling the organizations in Rochester and Buffalo for advice. But the organizations had not worked on programs together to any significant extent, and in fact some of the leaders were all but unknown to others.

In fact, they really had no precise idea how they would share services and programs. Carrying out joint ventures would have taught the groups' staff members what it would take to run shared programs, which – as in so many areas of life – was more difficult than they expected. In the process of carrying out joint programs, the directors and staff members would experience working with each other. This would have been a way to work out those differences of which some complained, and if they could not work them out, backed away without so much at stake.

Rather than building a large structure and then trying to find out how it will work, it is usually better to learn by doing.

Develop a Common Vision

In a study for the San Francisco Federal Reserve Bank, two experts on collaborations and partnerships among nonprofit organizations place developing a common vision at the top of their list of success factors in collaboration. Their idea, shared by students of business management, is that the key members of different organizations must understand and build trust in each other and from that develop a common vision.⁹³

The leaders of the western New York organizations lacked a common vision. They had a common *motive*, which was to share resources and in so doing increase their organizations' types, volume, and geographic territory of business. They hoped to tap the expertise of one or another of the groups, but this did not rise to a common vision or even concept until the attorneys produced an organizational model.

The authors of the San Francisco Fed study further argue that a common vision should be tied explicitly to performance results. They cite the example of the goal adopted by FAHE's member organizations to increase their housing production from 2,000 to 8,000 units a year. The western New York leaders would have been hard pressed to adopt such performance agreements because they had not yet discovered which business lines would go where, let alone what volume of business they might expect to produce.

As mentioned above, the process of constructing the alliance did not provide them with opportunity to work together on anything but the structure of a future organization. Without shared experiences, the leaders were not able to build trust in one another, the prerequisite to creating a common vision of a shared future.

To develop a common vision, paradoxically, it is essential that the participants grapple with their differences. A member of the task force, Laura Sweat, pointed out that the members discussed common values but did not explore what values and priorities divided the participating groups from one another. If they had grappled with difficult issues – such as whether to maintain community engagement and other programs that did not produce

⁹³ Dee Walsh and Robert Zdenek, *The New Way Forward: Using Collaborations and Partnerships for Greater Efficiency and Impact* (San Francisco: Federal Reserve Bank of San Francisco, Center for Community Development Investments, 2011), 10; John P. Kotter, "Leading Change: Why Transformation Efforts Fail," *Harvard Business Review* (March-April 1995), 59-67.

revenue – the participants could have hammered out their differences and developed a truly common vision.

The lesson for future collaborators is that they should develop a common vision, which means having the difficult conversations in order to gain as specific a mutual understanding as possible.

Consider How and Why as Well as What

The western New York leaders sought useful precedents for their collaboration, and their consultants obliged them with models. Whether because they were drawn to organizational building or they wanted to put off the sticky questions, the leaders of western New York focused on the organizational structures of the model collaborations – the what. Neither they nor their consultants focused on why or how these collaborations and mergers were formed. They did not investigate what forces encouraged cooperation and what steps the leaders took to bring their groups together. Nor did the affiliation committee study the kind of small victories that experts note can bring participants closer together and lead to the greater collaboration.⁹⁴

When studying models of collaborations and mergers, it is important to study not only the structure and mechanics of the new entity, but also how and why the participants brought it into existence.

Communicate with Everyone at All Times

Personal communication – not relying on e-mails and texting – “is essential to the collaborative since it provides a forum to discuss issues and built trust.”⁹⁵ As we have seen, some participants in the western New York group communicated poorly from the start by not stating their objectives and their objections. Communicating means listening well. In critical ways, the directors and board members did not hear or understand what each other were saying. Sometimes where partners are shy or skeptical, listening will require active effort without assuming what the other person might be thinking. In the western New York effort,

⁹⁴ Walsh and Zdenek, *The New Way Forward*, 11; Kotter, “Leading Change,” 65-66.

⁹⁵ Walsh and Zdenek, *The New Way Forward*, 11.

failures to communicate with one another prevented healing compromise and sent the parties in opposite directions.

The lesson is simple: for a collaboration to succeed, communicate actively, honestly, and regularly.

Everyone Must Fully Participate

Everyone needs to have a stake in a collaborative effort. This means each participating organization must commit to the common endeavor by contributing time, energy, ideas, skills, and funds to the best of their ability.⁹⁶ Although each of the organizations contributed to the effort, they did not do so equally. Most of the work load fell on the two directors who had the original idea of the merger, led the conceptual discussions, and were best able to envision the outcome. Other directors were followers and often onlookers, hanging back to see whether the process would produce a result in the interest of their organizations. Even when the effort expanded to include more staff and board members, a relatively few people carried the burden. Whatever the reasons, the reliance on a few individuals meant that others had less stake in the entire project and less reason when the going got tough to find ways to make it work.

The lesson for would-be collaborators is to ensure that everyone has “skin in the game” and participates fully in the process.

Completing Tasks Is Essential; Ensuring Support Is Even More So

When leading a group of people into uncharted territory, it is not enough to solve business and administrative problems, even if done in an innovative manner. Merging organizations is also a political problem. People involved must agree and support the process.

Leaders must continually strive to understand their constituents and win their support. This is even more important when the existence of organizations and jobs are at stake. The process of listening to and persuading others is time-consuming and will undoubtedly delay the completion of the task. Without the support and cooperation of the collaborators, however, there will be no collaboration.

The lesson is that ensuring support of partners and followers is an essential task that must be tended to constantly, even at the cost of efficiency.

⁹⁶ Ibid.

Creating a New Organization is Different

Merging existing groups into a new organization is not business as usual. Ensuring full support for the new enterprise requires wide participation by all the parties involved. The method of creating the fundamental structure – writing the constitution, as it were – should be recognized as legitimate by the participants. The hard questions – how the components will interact, how the responsibilities will be distributed, and who will decide policies – must be confronted early on. Kicking the can down the road only postpones the day of reckoning. And throughout the process, all the participants must strive to communicate as fully as possible their aspirations and their fears, their goals and their doubts, and listen to those of others.

IX. Postscript

After the dissolution of the alliance at the end of 2013, three of the five chartered NeighborWorks organizations – NeighborWorks Rochester, West Side NHS & Black Rock-Riverside, and Niagara Falls NHS – decided to continue with their plans to establish a regional housing and community development enterprise that would allow for unified governance, unified financials and tax reporting, consolidated back office functions, and coordinated program service delivery throughout the western New York region. On January 1, 2015, the organizations formalized a legal framework consisting of four independent, 501 (c) 3 affiliates or companies, which are wholly-owned subsidiaries of the new parent corporation. The parent corporation, now known as Western New York NeighborWorks Affiliation, has applied for a NeighborWorks America charter under the name, “NeighborWorks Community Partners.”

Kim Brumber, formerly the Executive Director of NeighborWorks Rochester, served as the CEO and President of NeighborWorks Community Partners until August 2016 when she left for another position. Kathleen Steinman is still the Executive Director of Niagara Falls NHS while the senior leadership at West Side NHS has changed and the organization is currently being led by an interim executive director.

Jeffrey Eaton continues to serve as CEO of Arbor Housing and Development and has helped expand Arbor’s service area, carrying out projects in Pennsylvania and Albany, New York. Mark Sabella, formerly the Executive Director of NeighborWorks Home Resources, in 2015 resigned

from NeighborWorks Home Resources and took a position at Arbor providing construction management assistance.

At the end of 2015 NeighborWorks Home Resources lost its NeighborWorks America charter and is currently operating under its original name, Rural Revitalization Corporation.

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