Merger

The story of five Baltimore watershed organizations that became one

On September 7, 2010, the call for clean water in Baltimore grew louder. Representatives from five nonprofit watershed groups gathered to sign paperwork that officially merged their separate organizations into one—the new organization now known as Blue Water Baltimore.

The merger was a bold move and a complex process. The participants represented five organizations that evolved from grassroots efforts to protect Baltimore's waterways: the Baltimore Harbor Watershed Association, Baltimore Harbor WATERKEEPER, Gywnns Falls Association, Herring Run Watershed Association, and Jones Falls Watershed Association. Three of these groups also extended their reach to the rural and suburban headwaters of neighboring Baltimore county. Their staff and leadership built local identities through years of work and enormous volunteer contributions, yet they agreed to relinquish their separate identities in hopes of making a greater regional impact.

The merger moved them toward a future that had yet to be defined. The merger process itself also proved to be a new and unique experience. Mergers are far more common in the business world, usually between two entities. The Baltimore groups operated in the mission-driven, people-centered culture of the nonprofit workplace. They aimed to merge five organizations, not two. No known precedent existed for a nonprofit merger of this size. Experienced guidance was hard to find.

In terms of mission, a merger made sense. The five groups shared the goals and challenges of improving beleaguered waterways in an urban setting. They emphasized different geographic areas, but it was easy to imagine the combined strength of their programs and a larger, more unified voice for advocacy.

Still, the idea of a merger existed informally for several years without action. A merger would have benefits, but it would also bring change—and a long list of difficult questions.

Operationally, the five groups were quite different. Their finances, staff size, organizational age, board dynamics, and workplace arrangements varied widely. They also wondered how a merger could impact their established success. Would they lose members or volunteers? How would grantmakers react? Where would they find time to work on such questions, or money to pay for it?

In 2009, economic and partnership dynamics finally triggered action. For several years, private and government grantmakers had made a concerted effort to nurture local-level watershed groups in the Chesapeake Bay region. When the economy hit hard times, their support decreased. Watershed groups faced a new and significant fundraising burden.

Baltimore's groups were in the uncomfortable position of competing with one another for funds from a relatively small set of grantmakers. Sustaining their programs was a challenge; making them grow appeared impossible.

At the same time, the drive for collaboration on water quality issues in the Chesapeake region gained strength. Watershed groups found more success in their advocacy efforts when working together or partnered with larger, established groups that increased their visibility. However, the Baltimore watershed groups lacked capacity to launch or expand their individual advocacy programs. They also knew that one organization, speaking for the Baltimore region as a whole, would draw greater respect during policy discussions.

The time was ripe for merging. The watershed groups and several grantmakers held frank discussions about the funding horizon and the importance of exploring options.

"Funders in the Baltimore region had been concerned for some time about the need for a strong urban environmental voice," said Cathy Brill of the Rauch Foundation. "We wanted to see Baltimore well represented in policy discussions but, with the groups divided by subwatersheds, there was no single entity to speak for the city."

Now, the need and opportunity for merging had aligned. "Baltimore is blessed to have an extremely collaborative group of funders, along with impassioned environmental advocates who could benefit from a strong organizational infrastructure," Brill said.

Rauch and other grantmakers supported a merger and invited a formal proposal to support the costs.

Merging five organizations takes time. In roughly eighteen months, the legal merger was complete. Now, work continues on the many details that will fully integrate the organizations and bring final form to an entity whose collective talent may shape a new era of environmental stewardship in Baltimore.

Every merger, no matter the context, will have a unique set of issues to address. Mergers between nonprofit organizations, however, will likely share some characteristics of the Baltimore merger. To assist nonprofit organizations who contemplate a merger, the Baltimore participants—staff, board members, grantmakers, and consultants—have reflected on their process and provided the insights described here.

This report was funded and produced by the Rauch Foundation in response to interest from grantmakers and nonprofit organizations around the country. It not only details this challenging process, but reveals and acknowledges the hard work and intense dedication of the people who supported it.

Watershed Groups

- Baltimore Harbor WATERKEEPER
- Baltimore Harbor Watershed Association
- Jones Falls Watershed Association
- Herring Run Watershed Association
- Gywnns Falls Watershed Association

Grantmakers

- Baltimore Community Foundation
- Keith Campbell Foundation
- Chesapeake Bay Funders Network
- Goldseker Foundation
- Lockhart Vaughan Foundation
- Rauch Foundation

Consultants & Professional Resources

- Process facilitator
- Strategic analyst
- Transition manager
- Legal services for due diligence
- Legal representation for each group

Starting Points

The Baltimore watershed groups involved in this merger negotiated a host of detailed questions about the mission, programs, and operations of the new organization. The process was especially complex because the dialogue involved approximately 65 people representing five organizations, as compared to a more typical two-party business merger. The process was also challenging because the organizations varied in size, signature programs, and financial resources. Even though their missions and programs were compatible, there were key differences to address—including a vested interest in different programs and geographic areas, the role of advocacy, the use of litigation, and the handling of assets and debt.

Watersheds Represented by the Merging Organizations

Name (Year Founded)	Staff	Board	Budget	Office	Members	Volunteers
Baltimore Harbor WATERKEEPER (2006)	1	6	$96,000	leased	150	10
Baltimore Harbor Watershed Association (2003)	1/2	14	$62,000	donated	30	175
Gwynns Falls Watershed Association (1997)	1/2	8	$41,000	donated	91	422
Herring Run Watershed Association (1985)	4	14	$497,000	owned	307	1,951
Jones Falls Watershed Association (2002)	3-1/2	17	$284,000	leased	506	1,600

*Based on most recently available data at time of the merger.

Merger Timeframe

2004-2008

Preparation

- Talks between organizations and grantmakers increase focus on the needs of individual watershed groups and the possibility of a merger; they hire the University of Maryland Law Clinic to outline a suite of organizational options to consider.
- Watershed groups work on strategic plans and partner on a stormwater project that draws public attention and built relationships between staff.

2008-2009

Due Diligence

- Grantmakers encourage the groups to submit a proposal for the merger process.
- Grantmakers obtain advice on mergers through the Association of Baltimore Area Grantmakers; they continue to support a merger and learn that "due diligence" is the first step—a period of research to uncover any financial issues or by-law restrictions that could create legal obstacles to a merger.
- At the grantmakers' request, the groups spend one month conducting fundamental portions of due diligence, using donated legal services. Lawyers collect and analyze governance and financial information for each group and share it with all participants.

Aug.-Dec. 2009

Analysis & Decision Point

- Grantmakers provide funds for a consultant to analyze possible organizational structures.
- A steering committee forms with representation from the boards and staff of each watershed organization.
- The consultant leads a November retreat to review his findings; steering committee reaches consensus to move ahead with the merger.
- In December, the steering committee formally votes to pursue the merger and begin detailed negotiations on a merger agreement.

Jan.-Sept. 2010

Merger Negotiations

- Steering committee develops a new mission statement and governance documents.
- Focus shifts to resolving key program differences and financial issues. A facilitated spring retreat is held to air and explore important issues.
- New executive director is hired.

Sept. 2010

Legal Merger

- Agreements are reached on key issues. The boards of all five organizations sign a legal agreement that merges them into one.

Continuing

Workplace Merger

- New name and logo are developed.
- Workplace changes effect programs, staff roles, office location, workspace, phone and computer systems, and personnel policies.

Laying the Groundwork

The idea of a formal partnership floated between the Baltimore watershed groups for several years before they took action to explore the concept. At that point, their relationships with grantmakers and each other indicated that a merger—if they chose to pursue it—could succeed. Board and staff leadership have identified four major factors that created a positive context for moving ahead.

1) Sound reasons for merging. The Baltimore groups' primary goal was to combine strengths. They believed that merging could lead to stronger programs, a larger platform for influencing policy, and more financial efficiency. Although a merger could potentially bring financial benefits, the ultimate goal was to realize the potential power of combined programs. Both the merging organizations and supporting grantmakers caution that mergers should not be viewed as means to save money. A merged organization may spend money more effectively by consolidating costs for office space, systems, and fundraising; however, budget needs may actually increase over time.

2) Compatible organizations and inter-staff relationships. The Baltimore groups had some variations in missions and programs, but they shared the same goals and challenges. In the years leading up the merger, they created the Baltimore Sewer Coalition, partnered on restoration projects, and conducted a joint survey on public perceptions of stormwater pollution. These projects were a positive experience that created working relationships between staff members.

3) Organizational awareness of long-term needs. The leadership of each organization had been working internally on long-term planning for their separate organizations. Three participated in a three-year capacity building program designed specifically for watershed groups by the Chesapeake Bay Funders Network. This work created a broader understanding of their long-term goals, current roadblocks, and the potential benefits of a merger.

4) Encouragement from grantmakers. The watershed groups met with grantmakers before beginning any formal part of the merger process. They found that the local funding community not only supported a merger, but encouraged it. Grantmakers agreed that indefinitely supporting five separate organizations would ultimately limit their ability to grow. They also indicated that having one organization, rather than five, would not necessarily decrease the overall amount of environmental funding for Baltimore.

This polluted stretch of the Gwynns Falls is off-limits to the public. Gwynns Falls drains to the Patapsco River from an watershed in southwest Baltimore and portions of Baltimore County.

"The reason for a merger is to do everything better."

Phil Lee, former president of the Baltimore Harbor Watershed Association

The Role of Grantmakers

The relationship between grantmakers and watershed groups played a significant role in the creation of Blue Water Baltimore. Grantmakers not only funded the majority of the merger process, but provided critical feedback and frank communication that encouraged the watershed groups to take action.

> **"We aren't just looking for economies, but for a better, more effective organization.**
>
> *Pete Powell, Clayton Baker Trust and Lockhart Vaughan Foundation*

Baltimore grantmakers care deeply about the long-term viability of the nonprofit organizations in their community. The philosophies of the private foundations involved with this merger supported investments in process-related activities that build the overall capacity of organizations. Capacity-building grants might fund strategic planning, membership drives, or office systems. In this case, grantmakers invested in an eighteen-month process to reinvent the watershed organizations their earlier grants had helped to create.

The Goldseker Foundation, for example, is committed to the neighborhoods served by the former Herring Run Watershed Association and has a long-standing interest in capacity-building.

"Baltimore's nonprofit sector has grown and professionalized, but it has also exploded in number," said program officer Laurie Latuda. "That leaves a large number of undercapitalized organizations competing for scarce resources. It's almost impossible for the smaller ones to compete with each other for funding and still thoroughly meet their mission in the way they would like to."

When the nation's economy took a downturn, Baltimore grantmakers talked frankly with watershed groups about the funding horizon. Available funding was insufficient to help five different organizations reach their potential. Grantmakers believed a merger made sense. Until this point, the watershed groups had only discussed the idea informally. But grantmaker encouragement, along with their own planning and partnership work, led to action.

"The positive experience of working collectively converged with the reality of the economy," said Elizabeth Periello Rice of the Baltimore Community Foundation. "They wanted to do the merger themselves, not just because the funders urged it."

The grantmakers who supported the merger, however, had little direct knowledge of what the process would entail. With help from the Association of Baltimore Area Grantmakers, they spoke to funders and consultants who had experience with mergers. They discovered that one of the first crucial steps is to conduct "due diligence"—a period of legal research to uncover any financial issues or governance restrictions that would prevent or complicate a merger.

They used this knowledge for grantmaking. The first proposal from the watershed groups requested $100,000 for a one-year period to analyze a potential merger. Grantmakers requested a revised proposal with a shorter timeframe, a defined outcome, lower costs, and emphasis on due diligence. They approved the revised proposal for $30,000 over a period of six months.

"The process takes a long time and it probably needs to, but you can impose some time limits on pieces of the process," said Cathy Brill of the Rauch Foundation.

Watershed organizations sought assurance that program funding wouldn't be reduced during the merger process. They also worried that funders would make smaller overall grants in the future because of the perception that one organization would need less money than five. Watershed groups discussed these concerns with grantmakers.

"They were concerned that some funders might see the merger as a way to reduce overhead and thereby warrant a reduction in funding," said Pete Powell of the Clayton Baker Trust and Lockhart Vaughan Foundation. "I recommended that our boards not do that. We aren't just looking for economies, but for a better, more effective organization."

In summary, grantmakers and watershed groups identified four aspects of a funding environment that help a merger succeed.

1) The grantmaking community agrees that impact, not finances, should drive the merger and recognizes the need to fund merger-related activities. These activities focus on process, rather than program deliverables. Funding is needed for consultants and legal services, but also to support the significant amount of staff time needed to develop a new organizational structure. Staff leaders estimate that at least half of their working hours were devoted to the merger, and some had no staff to whom they could delegate tasks.

2) Grantmakers and grantees should negotiate on the timeframe, especially when part of a funding agreement. Relationship-building is a critical activity that should occur early and aggressively; however, the process takes time and will vary in each setting. The Baltimore groups felt they could have shortened the overall timeframe by investing more early effort on building trust and open dialogue. On the other hand, organizations sometimes need an external push to avoid over-extending the process.

3) Consider the true cost. Recognize that organizations must pay for merger activities (including staff time, board meetings, legal services, and consultants) with unrestricted funds, which are always hard to obtain. They cannot afford to conduct a merger without additional unrestricted gifts to support it. Drawing on their existing pool of unrestricted funds harms ongoing functions of the organization while the merger is underway.

4) Positive feedback from funders matters, quelling insecurities that could threaten the merger. There can be great anxiety about losing funding during the merger, while their identity is in limbo, and after the merger is complete. Grantmakers should talk openly with organizations about the impact of the merger. Even with reassurance, some staff and/or board members may remain skeptical. Regular repeated communication helps reinforce the message.

"Set parameters and be up front about the outcome you need. But leave decision-making to the groups."

Cathy Brill, Rauch Foundation

Herring Run travels the northeast corner of Baltimore and surrounding portions of Baltimore County. The stream is fed by a 44 square-mile watershed that includes more than 41 miles of streams and more than 50 neighborhoods, some of which have the lowest amounts of tree coverage in the city.

The Merger Process

The process that created Blue Water Baltimore took eighteen months to complete, including nine months of exploratory work before the five organizations voted to create a formal merger agreement. Approximately sixty-five staff and board members participated, supported by the paid and donated services of three consultants and a team of lawyers.

"Make an early honest assessment of where the problems will be. Daylight issues sooner and it will take less time overall."

Halle Van der Gaag, former director of the Jones Falls Watershed Association

The Workflow

The merger process for Baltimore's watershed groups fell into three phases.

The first was an **exploratory phase,** which allowed the groups to become more informed about each other and the impact of a possible merger. They conducted preliminary research called "due diligence"—lawyers collected, analyzed, and shared financial and governance information for each organization to uncover any legal obstacles could block or complicate the merger.

As due diligence was underway, a consultant evaluated a variety of organizational structures, ranging from no change at all to a formal alliance or a full legal merger.

The exploratory phase took nine months, culminating with a retreat. There, the consultant led a review of his findings and recommended a full merger. The steering committee took a straw vote, which also supported a merger. Their formal vote to proceed occurred a month later, in December 2009.

The second phase of the process entailed detailed **negotiations** on a formal merger agreement. This also took nine months—longer than expected—because several issues became more intense than anticipated. The steering committee worked through questions of debt, mission, board structure, and local identity. Ultimately, another consultant led a spring retreat focused on open and constructive dialogue. This moved discussions forward. The final merger agreement was signed on September 7, 2010.

Phase three was **workplace integration**. The unity that existed on paper had yet to take shape. Because negotiations had focused on some difficult and time-consuming issues, decisions about programs and administration were put on hold. The new organization even had a temporary name until two months after the merger. Solutions for staff roles, programs, workspace, computers, personnel policies, and other details continue to evolve.

Governance

Each organization selected three to four board members to serve on the seventeen-member steering committee. The committee members worked through many specific merger issues, reporting back to their individual boards to seek feedback and request formal votes as needed.

Executive directors carried much of the staff responsibility for meetings, planning, and paperwork, but all levels of staff were involved with the process. The larger organizations were asked to play more active roles in administrative tasks.

The process was also nurtured by a consultant who worked largely on donated time. She knew each of the organizations through previous work on water quality issues in the Baltimore region. She took on a role as a process facilitator who helped the groups arrange meetings, share information, raise questions, and communicate with grantmakers. After the November retreat, the steering committee asked her to serve as the official transition manager.

The steering committee hired an executive director while the merger negotiations were underway. In another setting, this could raise competition among staff. In this case, however, existing staff members were not interested in the position and the director of Herring Run resigned. The new director was an outside hire, chosen for expertise in non-profit management rather than environmental programs. He served as director of Herring Run until the merger was complete.

Challenging Issues

During the negotiation phase, questions arose about debt, programs, and identity.

The Herring Run Watershed Association carried a level of debt that caused concern. Most was related to a mortgage on the Herring Run Watershed Center. The debt was growing, however, as Herring Run grappled with the unfunded costs of merger-related staff time and restraint on fundraising efforts that would have competed with their joint interests. As a result, some committee members questioned whether or not they should retain the Herring Run Watershed Center, which the group had recently debuted as its headquarters, a showcase of green technology, and a community meeting space. Herring Run sought a commitment that the building would remain with the new organization, but others weren't comfortable with this pledge.

Program issues came into play with the Baltimore Harbor WATERKEEPER. Waterkeepers may operate independently or nested within a watershed group, but each are part of the international Waterkeeper Alliance with a commitment to thirteen quality standards. The issue affecting the merger was the role that waterkeepers play in enforcement and litigation. Waterkeepers are more confrontational than most watershed groups and the steering committee wasn't sure if this would align with their new identity. The Baltimore WATERKEEPER was concerned about retaining ownership of their boat and other assets, in case mission conflicts led to a "divorce." "What if, down the road, the new organization wouldn't let us comply with our own standards? We would lose our license, our boat, and our cash to the new organization," said Baltimore WATERKEEPER Eliza Steinmeier.

The steering committee also grappled with the potential loss of local appeal. Each group had spent an enormous amount of time and energy recruiting members and developing programs through very localized neighborhood appeals. They now weighed the extent to which they could formally commit to the same geographic focus of the original five.

"One of the biggest issues for everybody was the loss of identity," said Marcus Griswold, a steering committee member from the Gywnns Falls Watershed Association. "We were all localized groups. How can you engage those communities when you have a larger base? A lot of the board members were worried."

Ultimately, the committee realized that setting long-term conditions would impede success. Each organization needed to relinquish strict attachments to the places and programs that defined them. They agreed to the waterkeeper standards, including the use of litigation, but made no special arrangements regarding ownership of the boat.

The Jones Falls drains from a 40-square-mile watershed that covers parts of central Baltimore and a more suburban area to the north in Baltimore County. Much of the river within the city has been diverted underground or obscured by the Jones Falls Expressway,

"Everyone is throwing something into the pot," said Jack Machen, who served on the board of the Baltimore Harbor WATERKEEPER. "If any organization holds back what it considers precious, the success of the entire undertaking is at risk."

The committee set parameters that would define them for one-year only. They agreed to hold the Herring Run Watershed Center

“ **Establish a commonality of mission and use it as the touchstone.”**

Bobby Johnson, former president of the Jones Falls Watershed Association

for one year, then re-evaluate. No staff would lose their jobs during that period, the board structure would be temporary, and board members need only commit to a one-year term. They avoided long-term definitions of programs altogether.

Lessons Learned

1) Hold early discussions about the workload that a merger entails. The process will require a significant time commitment from board and staff. The administrative challenges are great. At times, the workload may not be distributed evenly between the merging organizations and the process may be emotionally intense.

2) Prepare to create a new organization, not tweak an existing one. Legally, one organization will “absorb” the others but, in terms of programs and operations, it’s best to view the result as a new or re-invented organization. Everything from the name, mission, staff, board structure, workplace, and programs will be on the table for discussion.

3) Relationship-building for board and staff is critical. Invest in early, active relationship-building, led by a skilled facilitator. The sooner this happens, the more open and productive the dialogue will be throughout the merger process. This helps to avoid surprises when the process is further along.

4) Create a written work plan for the steering committee. The work plan should outline goals and tasks, and assign responsibilities. This will clarify the roles of staff and committee members and help track progress against the projected timeframe.

5) Third-party facilitators help the process run more smoothly and raise confidence that each group is heard from equally and openly. This is true for sharing financial information, as well as mission and programs.

6) Budget adequately. Without a new source of adequate unrestricted funds, groups will suffer financial stress to pay for staff time during merger planning and transition tasks. Consultants and lawyers also cost money. If donated services are not available, budget accordingly.

7) Build flexibility into the written agreement for the first year as a new organization. For example, the board structure and first board terms might last only one year, when they can be redefined as needed.

Trash is a major problem in Baltimore waterways. This trash net on Harris Creek captures an average of 3.5 tons of debris each month. Issues of environmental justice are critical in many neighborhoods, where accumulated refuse degrades both quality of life and local waters.

Communications & Relationships

Transparency and openness are the keys to success on many levels. They not only lead to a positive experience for staff and board but enable the merger to be completed in a reasonable time frame, with good morale and a strong position for future success.

The Nonprofit Culture

The importance of relationships during a merger process is heightened by the unique culture of the small nonprofit workplace.

The nonprofit workplace differs from the business sector, which relies more heavily on top-down management and task-oriented employees. In contrast, the success of a small nonprofit organization depends on a continual exchange of ideas and feedback between board and staff members at all levels. The staff often has intense emotional investments in their workplace. Their efforts, in many cases, have created or transformed the organization. They are not driven by a paycheck, but by passion for the mission. Board members have similar ties to the organization, contributing time, talent, and finances on a purely volunteer basis. They are committed to mission and community, and provide big-picture guidance that shapes an organization's success.

The Baltimore merger convened approximately 65 board and staff members for a project that held risks and stirred emotion. Even though good working relationships existed among them, they did know each other well enough to voice serious questions at the outset. The business-style tasks that marked the first phase of the process failed to recognize this unmet need for dialogue and engagement. Deeper concerns were not aired or explored until the process was underway for more than nine months.

Participants strongly believe that raising hard issues toward the end of the process, rather than the beginning, cost them time, money, and morale. "A lot of things could have happened a year earlier, if we had recognized the need for common vision," said Ray Heil, former president of the Herring Run Watershed Association.

Another reality of the small nonprofit workplace is the limit of inhouse financial expertise. Despite conducting due diligence with legal assistance, financial surprises arose late in the merger process. Some of the smaller organizations, with fewer assets, had balanced books while the largest organization had a growing amount of debt.

The size and resources of nonprofit organizations also vary widely. This may introduce unspoken worries, as some groups bring more board members, staff, and finances to the table. These are valuable resources, but they may also trigger concerns about maintaining an equal voice for all participants. Variations in size may also lead to uneven administrative burdens during the merger process.

The Role of Outside Help

The Baltimore watershed groups could not have accomplished the merger without help from consultants. Three consultants fed the process. The first was a process facilitator, who both managed and supported communication and administrative tasks, eventually serving as the official transition manager. The second was the analytical consultant who conducted the strategic analysis. The third was a communications facilitator who led a retreat to resolve tough issues.

"A merger should not be rushed before people get to know each other. We could crank out and file the paperwork relatively quickly, but that's a mistake."

Jack Machen, former board officer of the Baltimore Harbor WATERKEEPER

The Patapsco is a minor river for most of its length, but the last ten miles form a large tidal inlet of the Chesapeake Bay. Its inner basin is the Baltimore Harbor—the heart of tourism and industry, but plagued by poor water quality.

These third-party participants were invaluable to the merger. They provided professional skills and acted a neutral base for information and process management. They also supplemented staff time. For example, the process facilitator/transition manager donated an enormous number of work hours that the staff could not have absorbed by themselves. In retrospect, however, participants in the Baltimore merger believe that consultants could be used more strategically to strengthen group interactions and minimize unexpected issues.

"A financial consultant would have been great. I might have felt a little intimidated, but it would have been a good business move."

Eliza Steinmeier, Baltimore Harbor WATERKEEPER

Overall, participants strongly recommend building relationships before doing business. The early exploratory phase of the Baltimore merger focused a business-style analysis that unintentionally pushed relationships and dialogue to the background. The analytical consultant was swift and thorough, but he was hired to analyze and report rather than encourage group discussions. Staff and board members generally agreed with his findings, but didn't engage in much dialogue about benefits or drawbacks. It wasn't until the negotiations phase that they began to express deep concerns about identity, mission, and programs. Some participants feel so strongly about this misstep that they would consider completely replacing the analysis function with relationship-building.

Participants also recommend professional financial analyses. Ideally, each organization could prepare for the merger with its own professional financial advisor. As the merger proceeds, participants say that a third-party financial consultant would be invaluable. This function was not part of the Baltimore merger. Paid and donated legal services supported the due diligence process, but the assembling and interpretation of financial information was conducted in-house. A third-party financial consultant could have provided objectivity, clarified confusing issues, and minimized last minute concerns.

Lessons Learned

1) Respect the culture of the nonprofit workplace. Staff has a history and expectation of being involved in decisions. They are emotionally invested in the process. They aren't just employed by the organization: they have grown it themselves.

2) At the very beginning of the merger process, hire a consultant experienced in

building relationships and open dialogue, especially in a nonprofit environment. Even with compatible organizations and personnel, third-party assistance is crucial for airing concerns and navigating difficult conversations. Use facilitator expertise immediately and actively as a first step for both the staff and boards.

3) Adjust your timeframe if necessary. "You have to establish a timeframe at the beginning of the process but, as things evolve, you need to be flexible," said Mary Sloan Roby, former director of the Herring Run Watershed Association. "Pay attention to how people are feeling. If there is a lingering atmosphere in the room that things aren't' quite right, accept that it might take longer than you thought."

4) Make every effort to daylight difficult issues early in the process, even if solutions aren't immediately apparent. Difficult conversations are inevitable, and people tend to avoid them. Inequalities in the size and resources of each organization, along with variations in programs, are sensitive. Respectful listening is critical. Even people who know each other and work well together may be challenged by such issues and stay silent until later in the merger process. Postponing difficult issues delays the operational and marketing decisions that help the new organization become a dynamic and efficient presence.

5) Hire a financial consultant/auditor to conduct a thorough, objective look at each group's financial picture. Each organization needs to provide and receive full transparency, and a professional third-party consultant will raise confidence in the financial analysis. Halle Van der Gaag, former director of the Jones Falls Watershed Association, suggests discussing finances in the middle of the process, rather than the beginning or end. "Talking about money is hard and emotional," Van der Gaag said. "Build trust first."

6) Evaluate the role of the process facilitator/transition director and how best to fill it. For the Baltimore merger, the process facilitator arranged and led meetings between staff and boards, gathered information for due diligence, smoothed out minor issues, and helped communicate with grantmakers. The more organizations involved with the merger, the more time-consuming this function will be. Having third-party assistance to broker meetings and communications was very helpful. However, the role of process facilitator could potentially be filled in-house; bear in mind that this would seriously compromise the time that person would otherwise spend on program functions.

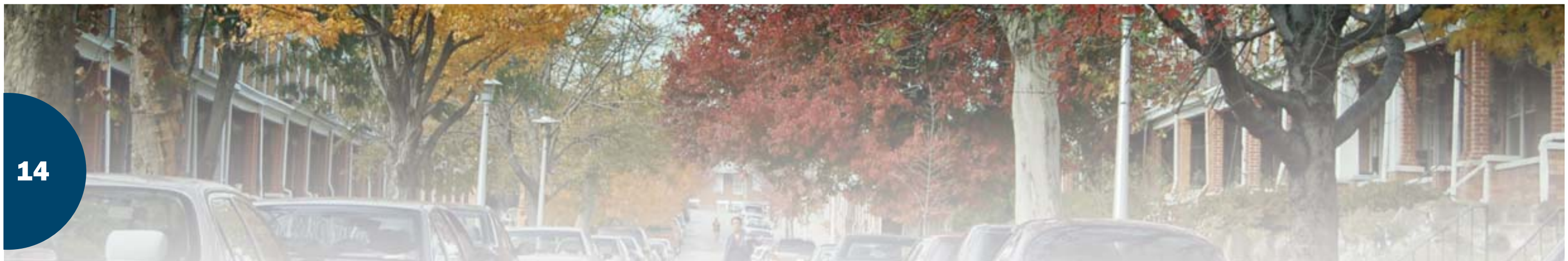
7) Evaluate the need for and timing of a strategic analysis consultant. If you decide the analysis function is important, the selected consultant may or may not be the same person who helps with relationship-building. In the Baltimore merger, many participants would have preferred a consultant who elicited solutions as a group activity rather than presenting the group with a fully produced report.

8) An organizational merger is a creative and exciting opportunity. Any steps that make the merger process a positive and energizing experience help the new organization become a dynamic community presence in a shorter amount of time.

"We thought we had made a lot of progress, but we were really deferring a lot of significant issues that weren't being resolved."

Ray Heil, former president of the Herring Run Watershed Association

Kayaking on the Jones Falls.



Looking Ahead

Signatures on paper marked the formal birth of Blue Water Baltimore, but the evolution of a fully integrated organization and dynamic regional voice is still underway.

Blue Water Baltimore has entered its first full year of existence. In many ways, it is a typical nonprofit organization: the board and staff are setting goals, recruiting volunteers, strengthening programs. They are pursuing grants and raising unrestricted dollars to cover administrative expenses.

At the same time, Blue Water Baltimore occupies a unique transitional status. It is a new organization, resolving myriad practical details—from web sites and time sheets to personnel policies, accounting, and computer systems. These tasks are extra challenging because this “new” organization arrived with nine experienced staff members and immediate commitments to existing grants and programs inherited from its founding watershed groups.

Blue Water Baltimore also benefits from their valuable legacies. It has mature programs, and the opportunity to re-energize and expand its work with experienced and talented staff. It enjoys an existing relationship with grantmakers and a range of volunteers spread throughout the Baltimore region. Its board members are deeply involved and knowledgeable about the group’s needs and potential.

Board president T.J. Mullen is pleased by their unified mission. “We are now a more comprehensive organization that truly covers the watersheds of Baltimore,” Mullen said. “We have the opportunity to make an impact on the water quality of Baltimore, period. Not a piece here, a piece there. All of these different watersheds are being cared for under one roof, without duplicating efforts.”

Cathy Brill of the Rauch Foundation is encouraging funders to sustain their support for Blue Water Baltimore and consider the addition of significant program grants. Brill also hopes to introduce Blue Water Baltimore to non-environmental grantmakers who may be intrigued by the group’s impact on community development.

“The funders’ role doesn’t end here,” Brill said. “It goes beyond providing grants to helping nurture this new organization.”

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