ENCOURAGING STRATEGIC RESTRUCTURING IN THE NONPROFIT COMMUNITY: AN EMPIRICAL STUDY OF SUCCESS

A Doctoral Dissertation Research

Submitted to the
Faculty of Argosy University, Los Angeles

In Partial Fulfillment of the Requirements for the Degree of
Doctor of Business Administration

By

Laura B. Woyach

December 2013

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Doctoral Dissertation Research Committee Approval

10/25/13
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College of Business

ABSTRACT

The problem in the nonprofit sector is a macro-economic problem involving implementation of concepts of economies of scale, and overcoming organizational and sector inefficiencies. The purpose of this research is to demonstrate that strategic restructuring is an innovative, successful management strategy for a nonprofit organization to maintain sustainability and maximize impact. This research study used three different research methods to demonstrate that idea. The first research method was a quantitative analysis of several different financial ratios using the MANOVA statistical test. The second research method was a qualitative analysis of interviews that the researcher held with 10 different third-party payers. The third research method was an archival analysis of 57 case studies of organizations that have gone through a strategic restructuring process from 2007-2010. This research failed to show conclusive evidence on the effectiveness of structural reorganization in terms of improvement in financial ratios. However, there is a definite perception among funders' regarding the strategic restructuring process for nonprofit organizations, as well the case studies provided excellent evidence for what factors contribute to a successful strategic restructuring partnership. Funders do support strategic restructuring and want organizations to engage in this management activity, if the nonprofit organization feels it will further their mission. Given mission-focused leaders, team-oriented, mission-focused organizations, with continued financial support from third party payers, to fund consultants who use the strategic restructuring formula, strategic restructuring can be a tool to maintain sustainability in an economy that constantly challenges the principles of sustainability.

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To all of the nonprofit organizations that have realized the power of going beyond collaboration and engaging in strategic restructuring, it is you, the people of those organizations, that provide me with the hope that we can work together to make this world a better place.

DEDICATION

This dissertation is dedicated to my late father, Wayne Paul Woyach, who taught me, at a very early age, to have no regrets and to live life to the fullest. Thank you for being my guiding light. Dad, I miss you and love you dearly.

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CHAPTER ONE: THE PROBLEM

The National Bureau of Economic Research (NBER), the official arbiter of the United States' economic status, states that two economic recessions have taken place over the past decade or so. Though the NBER (2012) declared that the current state of the economy was in recovery as of June 2009, it is important to note it was determined "that the recession ended and a recovery began in that month" (para. 2), not that the economic conditions were favorable. As of the second quarter of 2012, and based on the information available at the time of writing this dissertation, the economic conditions of the United States are still not considered favorable, i.e. unemployment is at 8.2% and real GDP is at a 2.2% growth rate, a rate that is considered weak (Elwell, 2012; U.S. Department of Labor, Bureau of Labor Statistics, 2012). In a time of diminishing resources and an increase in competition for resources, nonprofit organizations have to compete harder with fewer dollars. Thus, the extremely slow economic recovery for the United States has forced nonprofit organizations to think outside of the box to survive and maintain sustainability.

Nonprofit leaders and executives are discovering a new business strategy to help overcome the economic and organizational downturn. It is one that is gaining more attention and becoming a popular management alternative for promoting sustainability and efficiency (Kohm & LaPiana, 2003; LaPiana, 2000, 2010; McLaughlin, 2010; Radman, 2009). This concept has been used widely in the for-profit sector and is now finally being applied in the nonprofit sector: the strategic management application of organizational alliances and integrations among nonprofit organizations, which is commonly known as mergers and acquisitions in the for-profit sector (Kohm & LaPiana, 2003). Wernet and Jones (as cited in McCormick, 2001) believe the difference between for profit-mergers and nonprofit strategic restructurings is *purpose*.

It is the intention of this research to demonstrate how the application of varying degrees of alliances and integrations to nonprofit organizations represents a management strategy for organizational sustainability, and programmatic growth. It is important to note that the common terminology used for the concepts of alliances and integrations in the nonprofit sector is referred to as *strategic restructuring* (LaPiana, 1998).

Diminishing Resources in the Nonprofit Sector

It is important to understand what has caused this management strategy to become more popular. Overall, the concept of strategic restructuring has gained popularity because of the problem of diminishing resources, which has been caused by the weakened economy (LaPiana, 2010). Most nonprofits see two primary resources becoming hard to obtain. Primarily, the scarcest resource is financial resources. The second resource, which is highly debated as a diminishing resource, is human resources (Radman, 2009).

Diminishing Financial Resources

During this weakened economic state, many nonprofit organizations are faced with diminishing financial resources (Radman, 2009), which brings about constant financial struggles for the nonprofit organization. Because of the weakened economy, many funders are forced to reduce their grant amounts and overall donations to organizations, thereby having fewer dollars to divide among nonprofit organizations overall (B. Andersen, personal communication, April 27, 2012).

According to research done by the Foundation Center, between 2010 and 2011 foundation assets have been reduced by approximately 17% due to the economy. A reduction in foundation assets reduces their ability to sustain funding to organizations. This could be why 39% of all foundations reduced their giving in 2012 (Lawrence, 2012).

One of the greatest changes in foundation giving is the vast reduction of multi-year and capital grants, which is said to be due to economic volatility (Lawrence, 2012). These financial reductions by foundations have materialized in several ways in organizations. They include, but are not limited to, the inability to make their weekly payroll, regularly having very low cash on hand, or a lack of current assets to meet the needs of their current liabilities (MAP for Nonprofits, 2011).

Nonprofit leaders have described this environment as a perfect storm, in which revenues have decreased at the very time when the demand for services has increased (MAP for Nonprofits, 2011). Barbara Andersen (personal communication, April 27,), a director with the Orfalea Foundation, a prominent donor organization in Santa Barbara, CA, supports this assertion by stating that foundations and organizational funders are pulling back their financial donations and are giving less each year due to the overall economic decline. LaPiana (2010) supports this thought with what he calls *market failure*, which he defines as follows:

> Nonprofit [organizations] provide desperately needed service to constituents who lack the means to pay the full cost. Government and private funders must then bridge the funding gap. In bad economic times, these third-party payers pull back, leaving nonprofits with inadequate funding-often at the very moment that they are experiencing increased demand for the service. (p. 30)

Supporting this thought, Andersen states that Santa Barbara organizations continue to have a greater need, thus each requiring more and more income to survive, and an even larger financial aid to grow their programs.

Diminishing Human Resources

Another issue that some experts say is a constant concern within the nonprofit sector is the deficit of experienced leadership and senior management (Tierney, 2006). There is some debate among the experts within the nonprofit sector as to whether or not this is a real issue (LaPiana, 2009; Tierney, 2006). According to a study done by the Bridgespan Group (as cited in Tierney, 2006), the following are some of the leadership and management obstacles that nonprofit organizations will face over the next several years.

- Between 2006 and 2016 organizations will need to attract and develop about 640,000 new senior managers—"the equivalent of 2.4 times the number currently employed" (Tierney, 2006, p. 2).
- By 2016, these organizations will need almost 80,000 new senior managers per year.

The study goes on to state that if organizations consolidate and combine resources the total need of senior management may be reduced to about 330,000, which provides support for the idea of strategic restructuring (Tierney, 2006).

Nonetheless, this study does demonstrate a shortage of leaders within the sector. The Bridgespan Group study (as cited in Tierney, 2006) presents the following reasons for this deficit: low compensation, lack of nonprofit expertise, and the retirement of the Baby Boomer generation. LaPiana (2009) somewhat supports the idea of a lack of leadership. He states that nonprofit organizations are too small and thus lack the ability to provide individuals with career paths where they can develop their management and leadership skills. This makes nonprofit organizations unattractive for the individual who has long-term career goals of climbing the proverbial *corporate ladder*.

The researcher has experienced this phenomenon on a small scale in the Santa Barbara nonprofit community. Many smaller organizations, have leaders and executives that lack formal management or nonprofit training, but simply want *to make a difference in the world*. It is the researcher's experience that, over time, these individuals stayed committed to their organization and became executives and the leaders, but never obtained the much-needed formal training to do so. Much of their knowledge and experience was gained from their everyday work situations. Unfortunately, these leaders will eventually need formal training to grow and develop their organizations beyond their own informal knowledge. Without this education, an individual's personal experiences can only take him/her and the organization he/she leads so far.

There is also a lack of simple staffing within the nonprofit sector. Although many of the skills needed to perform administrative tasks in the nonprofit sector are the same as in the for-profit sector, often the pay for such jobs is considerably less. This causes fewer individuals to want to work in this sector, making it harder to recruit the necessary talent (Radman, 2009). Suffice it to say, high turnover does not allow individuals to achieve advanced job experience and significantly prohibits organizations' productivity rates (LaPiana, 2009).

Is the Nonprofit Sector Inefficient?

Many researchers and nonprofit consultants have stated that the nonprofit sector is inefficient and thus lacks sustainability (Kohm & LaPiana, 2003; LaPiana, 2000, 2010; McLaughlin, 2010; Radman, 2009). LaPiana (2009) supports this idea of inefficiency, stating that “nonprofit organizations lack assembly lines”. In a different source, LaPiana (2010) states, “too many groups provide the same service” (p. 30). According to a white paper published by the William and Flora Hewlett Foundation and McKinsey and Company (2008),

> As of 2005, people looking to support education in Des Moines, Iowa had 330 nonprofits to choose from; San Francisco givers who wanted to help the city’s homeless had more than 125 possibilities; and Portland, Maine had more than 450 charities focused on helping children. (p. 7)

This excessive duplication further demonstrates the inefficiency that exists within the nonprofit sector. Not only are programmatic services duplicated for each organization, but also simple accounting, human resource, and administrative services are also duplicated, repeatedly. LaPiana (2009) suggests that if organizations create strategic alliances and combine these simple, but necessary, duties, organizations can achieve sustainability. Figure 1 demonstrates this concept; as an organization becomes structurally more efficient over time, it can lower its long-term average cost per unit of service provided.

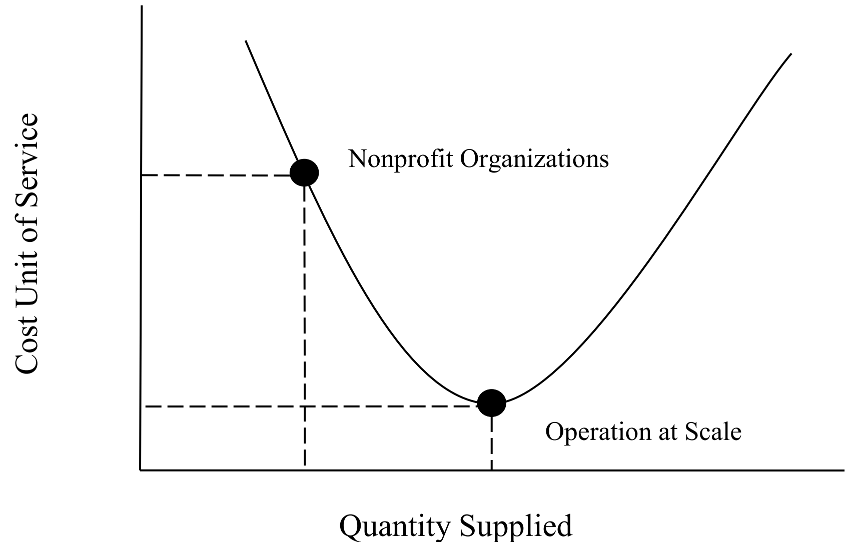

Figure 1. Efficiency curve of a nonprofit organization.

These findings beg the question, what if organizations that had overlapping and duplicated services came together? What if their administrative overhead was combined into one organization or they shared these services? What if these organizations came together and created one large program to receive maximum funding dollars, instead of many tiny programs trying to replicate services? What if these organizations did what all for profit businesses aim to do and began to take advantage of economies of scale? These questions and innovative notions could begin to be feasible if nonprofit organizations did more than collaborate. If nonprofit managers begin to combine their resources and their expertise with other organizations, they could begin to realize some economies of scale, thus positioning their organization to win more government grants, receive larger private foundation grants, and serve larger populations over larger geographical areas (Kohm & LaPiana, 2003). These events will begin to create sustainability within a nonprofit organization as well as the sector as a whole.

A Solution to Inefficiency and Diminishing Resources

One solution to the problem of diminishing resources, inefficiency, and instability for nonprofit organizations is to look at strategic restructuring. Strategic restructuring will allow organizations to increase revenues and decrease costs through economies of scale. It is important to recognize that strategic restructuring is not only a solution during financial crisis, but also one that can be used proactively under many different positive instances to increase efficiencies, enhance effectiveness, and create growth.

What is Strategic Restructuring?

Prior to defining the term *strategic restructuring*, it is important to understand the origination of this concept. The terminology, though not official, was coined and first used as a managerial concept by David LaPiana in the late 1980s (LaPiana, 2009). Since this time, other nonprofit consultants, nonprofit organizations, and foundations have become specialized in this management concept, including Dan H. McCormick, Thomas McLaughlin, BoardSource, The Bridgespan Group, and Lodestar Foundation (Radman, 2009). This group represents the handful of individuals and firms that have worked with hundreds of organizations and have become the experts on the application of strategic restructuring. Thus, according to LaPiana Consulting (2012a), strategic restructuring is defined as, "a continuum of partnerships-including but not limited to mergers, joint ventures, administrative consolidations, and joint programming" (para. 3). Strategic restructuring is different from general collaboration because these partnerships involve a change in locus of control in at least one or more of the organizations involved (LaPiana Consulting, 2012a). Therefore, it is important to understand that strategic restructuring takes collaboration to an entirely new level in the nonprofit sector: thus, becoming a path to sustainability (LaPiana Consulting, 2009a; 2009b, 2010, 2011). It is important for leadership and management of the nonprofit sector to understand this beneficial management strategy, as it is a new and necessary tool of sustainability in their business sector.

Background of Mergers and Acquisitions

Establishing a general understanding of a merger as it is understood and used in the for-profit sector is necessary before applying it to the nonprofit sector. In its simplest form, the idea of a corporate merger is two organizations coming together to create one potentially larger organization. The usual and primary goal of a merger from the corporate executives' viewpoint is that the combining of multiple organizations will result in a fiscally stronger, strategically more competitive organization that is physically larger, thereby making a more powerful organization and resulting overall in the organization having greater success (Davis, Kee, & Newcomer, 2010). This is the theoretical purpose of a for-profit corporate merger/acquisition.

Types of For-Profit Mergers

Three different types of corporate mergers exist in the for profit business sector: horizontal mergers, vertical mergers, and conglomerate mergers. A horizontal merger is the most popular type in the nonprofit sector (Chang & Powell, 2008). A horizontal merger occurs when two organizations that provide either the same service or product come together to be a stronger, more powerful organization. An example of this type of merger is XM and Sirius radio because they are both corporations within one industry and the merger overall complements both organizations. A vertical merger takes place when one organization acquires either its customer or its supplier ("Corporate Merger," n.d.). An example of this type of merger is the Exxon Mobil merger, because through this merger they own the entire supply chain for the product delivered to the consumer (Corcoran, 2010). A conglomerate merger describes all other types of organizational for profit mergers ("Corporate Merger," n.d.). One of the most prominent examples of a conglomerate organization is General Electric. General Electric is a company started in 1890 by Thomas Edison, with the original business product being electricity; it currently owns businesses that produce goods in the following industries: air, water, oil and gas, financial services, healthcare, electric, energy, aviation, rail, software, and lighting (Hudson, 2012).

It is important to clarify that the public often mistakes mergers and acquisitions to be one in the same; they are not. There is a distinct difference between corporate acquisitions and corporate mergers. It is necessary to explain that in the nonprofit sector there are only mergers or other strategic alliances. In the for-profit sector, in addition to mergers, acquisitions are also possible; unfortunately, in the nonprofit sector, nonprofit organizations are not able to go through the acquisitions process because nonprofit organizations do not have corporate shares of stock. By definition, then, it is impossible for one nonprofit organization to acquire another nonprofit organization, thereby making acquisitions impossible and not synonymous in the nonprofit sector.

Background of Strategic Restructuring

An issue that plagues the nonprofit sector is the idea that there are too many nonprofit organizations in the United States. This issue is often where the discussion and ideas of strategic restructuring begin. These ideas are supported by the statistics that state facts such as: "the number of nonprofit organizations has more than doubled between

1982 and 1997" (Kohm & LaPiana, 2003, p. 2) or that from 1998 to 2008 the number of nonprofits nationwide has increased by 63.4% (Radman, 2009). At first glance, many nonprofit mangers see strategic restructuring to be an appropriate strategy to solve the issue of too many nonprofit organizations because these organizations are vying repeatedly for the same funding dollars. If they are to merge and overall reduce the physical number of organizations, their individual inefficiencies begin to be resolved as well as the sector's inefficiencies. The reason for this is economies of scale, which is the "increase in efficiency of production, as the number of goods being produced increases" (Investopedia, 2012, para. 1), the concept that is also illustrated in Figure 1.

However, LaPiana (2010) argues that the *too many* factor may not be at the root of the problem. Thus, it is necessary to debunk this misconception. According to the National Center for Charitable Statistics (NCCS, 2010), there are over 1.5 million U.S. nonprofit organizations, of which 631,000 are public charities. Of the 631,000 public charities, about 170,000 organizations have a budget of over $100,000, leaving about 450,000 nonprofit organizations to operate annually on less than $100,000 a year. This large number of small nonprofits only perpetuates the inefficiencies of the sector. Only 13,000 public charities have an annual budget of over $10 million. Based on this information, there are more million-dollar for profit businesses than total nonprofit organizations. Therefore, the argument that there are too many nonprofit organizations does not seem to be the issue; rather, too many small nonprofits (less than $100,000 operating budget) and too few dollars available to support the existing nonprofit organizations does seem to be the issue. Stanford nonprofit expert Denise Gammal (as cited in Chang & Powell, 2008), who explains that more of the too small, poorly run, poorly funded nonprofit organizations need to close, supports this idea. Thus, it seems sufficient to say that the overall problem in the nonprofit sector is not just simple numbers of too many organizations but rather something greater: a macro-economic problem involving implementation of concepts of economies of scale and overcoming organizational and sector inefficiencies.

Purpose of the Study

The purpose of this research is to demonstrate that strategic restructuring is an innovative, successful alternative for a nonprofit organization to maintain sustainability and maximize impact. It is the intention of the researcher to provide a resource for nonprofit leaders interested in learning about the process of strategic restructuring. This research study intends to highlight and demonstrate the necessary and positive characteristics that must be present in all organizations for strategic restructuring to work, as well as demonstrate the role of a funder/third-party payer during the strategic restructuring process. It is also the purpose of this study to provide quantitative statistics to support qualitative observations made in the course of the research.

Research Questions

This study explored the following research questions and hypotheses.

1. Is strategic restructuring a successful tool for sustainability in the nonprofit sector?

H_0: Nonprofit organizations that implement strategic restructuring are as equally sustainable after the implementation of strategic restructuring as before strategic restructuring.

H_1: Nonprofit organizations that implement strategic restructuring are more sustainable after the implementation of strategic restructuring than before strategic restructuring.

2. What are the perceptions of the funder/donor of the strategic restructuring process for a nonprofit organization?
3. What factors contribute to a successful strategic restructuring partnership?

Definitions of Terms

It is necessary to define many of the terms used throughout this study because many of these terms are jargon, due to the nascent nature of this research topic. Though strategic restructuring was already defined previously, it will also be included here as a point of reference.

Strategic Restructuring: A continuum of partnerships, including but not limited to administrative consolidations, joint programming, joint ventures, and mergers between two or more organizations where there is a change in locus of control (LaPiana Consulting, 2011). Strategic restructuring can take place through many different types of relationships between organizations. The following terms describe how the different restructuring relationships are defined (California HealthCare Foundation, 2010).

Administrative Consolidation: The sharing of administrative functions between organizations to reduce overall overhead (California HealthCare Foundation, 2010)

Joint Programming: The joint launch and management of one or more programs to further the programmatic mission of the participating organizations (California HealthCare Foundation, 2010)

Joint Venture Corporation: The creation of a new organization to further either the programmatic or the administrative missions of the participating organizations (California HealthCare Foundation, 2010)

Management Service Organization (MSO): The creation of a new organization in order to integrate administrative functions (California HealthCare Foundation, 2010)

Merger: The complete consolidation of all organizational functions of two or more organizations into one organization (California HealthCare Foundation, 2010)

Parent Subsidiary: A lesser form of a merger where one organization oversees another. However, the identity of the original organizations often stay intact; some organizations involved in this restructuring consolidate to a point where they look and function as though they are a single merged organization (Kohm & LaPiana, 2003). It is important to remember that the subsidiary retains its own programmatic board of directors that is elected by and reports to the parent board (Radman, 2009).

Support for Definitions of Terms

To support these definitions given by the California HealthCare Foundation (2010), David LaPiana established some basic definitions and understanding of each of the types of strategic restructuring in 1998 in a research study entitled *Beyond Collaboration*. In the study, LaPiana (1998) states the following information pertaining to mergers, acquisitions, back-office consolidations, and joint ventures. Mergers are the legal formation of a new organization usually resulting in the dissolution of one or more of the existing organizations and the creation of a new organization. This also involves the most extensive legal work of all strategic restructuring operations, as the IRS requires all new documentation to be filled for the new organizations, also requiring the new organization to gain the 501(c)(3) status (LaPiana, 1998).

Back-office consolidations, also known as administrative consolidations, are some of the most popular strategic restructuring plans as they are less invasive than a true merger, yet accomplish much of the same cost cutting measures. This restructuring plan includes but is not limited to human resources, fiscal management, billing, capital management, information systems, contracting, and general administrative overhead. The extent of the administrative consolidation varies from plan to plan, which may involve the creation of an MSO (LaPiana, 1998).

Joint Ventures between organizations can relate to vast range of activities. Often this strategic restructuring is more programmatic in nature but is not limited to that alone. It is important to understand that the only joint ventures that are discussed in the scope of this research are those that materially change the locus of control of the participating organizations (LaPiana, 1998).

The Partnership Matrix

To help understand the bigger picture of strategic restructuring as well as how each partnership relates to the organization and to each other, a matrix of such relationships was developed by David LaPiana. Kohm and LaPiana (2003) created the Partnership Matrix (seen in Figure 2), which has become a popular tool to show, pictorially, the differences between each type of strategic restructuring. This matrix allows executive management and leaders to see the differences between each type of strategic restructuring related to each other. From the figure, two different continua exist: a continuum of focus (y-axis) and a continuum of organizational autonomy (x-axis). Each of these continua allows executives to help determine which partnership/restructuring is most appropriate for their organization.

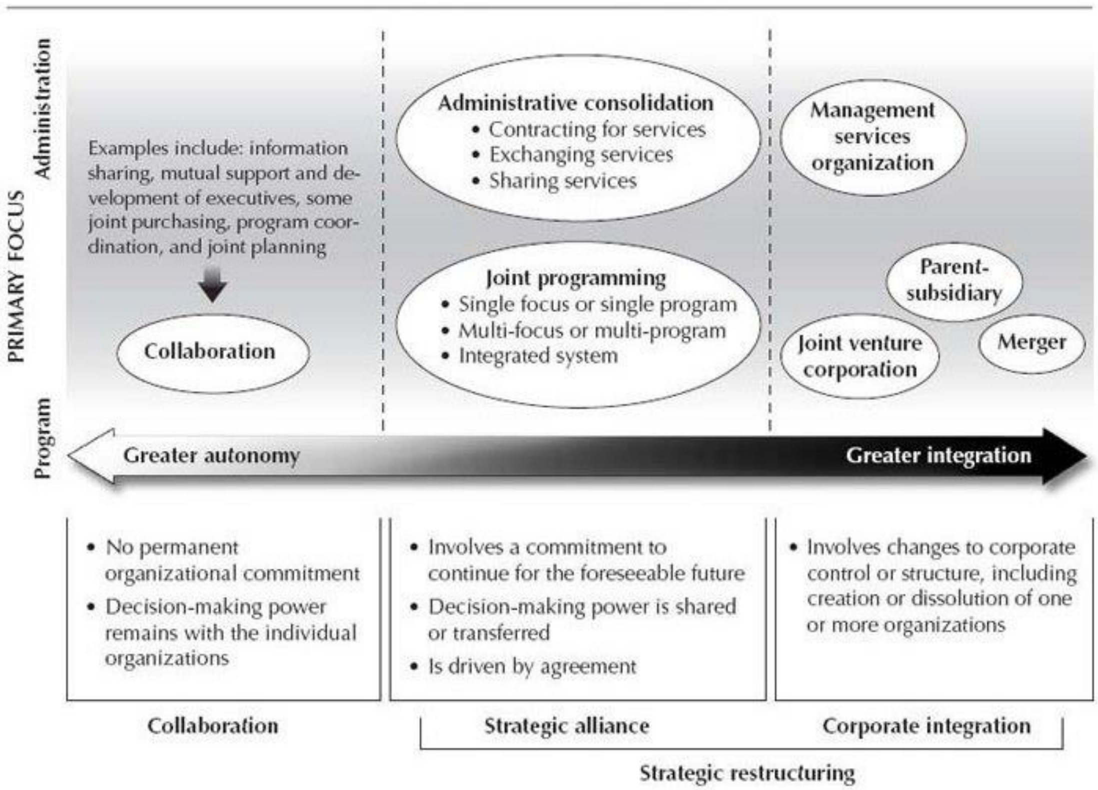

Figure 2. Partnership matrix for nonprofit organizations. Reprinted from *Strategic restructuring for nonprofit organizations: Mergers, integrations and alliance* (p. 5), by A. Kohm, and D. LaPiana, 2003, Westport, CT: Praeger. Copyright 2003 by Praeger. Reprinted with permission (see Appendix A).

Traditionally the focus of strategic restructuring is either administrative or programmatic; the needs of the organization determine its reasons for entering into a strategic restructuring model. Once the focus is determined, then it is necessary to determine the desired end-level of autonomy by the organizations involved in the strategic restructuring. The greatest autonomy of each organization begins with simple collaboration and moves into strategic restructuring. Within strategic restructuring there are varying degrees of autonomy, such as administrative consolidation and joint programming, where the organizations involved do not change legal structure. In these cases, the tie that binds is usually a contract or a memorandum of understanding (MOU) between organizations. These sorts of strategic restructuring plans are known as strategic alliances. Less autonomous strategic restructuring plans are known as corporate integrations. In these instances, many times either one or all organizations dissolve. In the case of MSO or parent subsidiary organizations, the original organizations still exists and an additional new organization has been created to join the other organizations as a part of the strategic restructuring. In an actual merger, like in for profit mergers, there is an actual consolidation. This can happen in one of two ways; either both organizations dissolve and become one new organization, or only one organization dissolves and becomes a part of the other organization, which legally remains unchanged (Kohm & LaPiana, 2003).

Educational Significance

The impact of this research is sector wide. It is important to pursue this research to increase the overall exposure of this management concept because the idea of strategic restructuring in the nonprofit sector is very new and green concept for executives, administrators, and third-party payers of the nonprofit sector. Strategic restructuring can be used throughout the nonprofit sector to lower costs, maintain sustainability, and increase overall impact (Kohm & LaPiana, 2003; LaPiana, 1998; McLaughlin, 2010; Radman, 2010). The concept of strategic restructuring is intended to help organizations overall through improving efficiencies within the aligning organizations (Kohm & LaPiana, 2003). Most organizations are hesitant to implement concepts of strategic restructuring because they do not fully understand what it means, what it entails, how it works, or with whom to collaborate for this management concept to work. This dissertation can promote a better understanding of strategic restructuring, thus encouraging more organizations to look at this practice as an alternative for growing or maintaining sustainability within their organization. It is the researcher's overall goal to use case studies to demonstrate the success and the need for nonprofit organizations to embrace, accept, and implement the concepts put forth by these experts and thereby popularize strategic restructuring as a method for sustainability within the nonprofit community. It is hopeful that this research will move the nonprofit sector forward proactively.

CHAPTER TWO: LITERATURE REVIEW

This chapter will explore the literature with the goal of creating a working definition for organizational sustainability. The chapter will also discuss the various documented ways donors and funders can influence strategic restructuring. Lastly, it will review the necessary organizational conditions needed to be present in an organization that is considering undergoing strategic restructuring. Each of these areas directly relates to each one of the three research questions. Therefore, the material referenced in this literature review will provide the supporting evidence needed to carry out the research of this study.

Organizational Sustainability

Research question one asked, *Is strategic restructuring a successful tool for sustainability?* It is necessary to develop an operational definition of what sustainability means in this context. First, it is important to understand the type of sustainability discussed in literature regarding this topic. Organizational sustainability as defined by Dr. Carter McNamara (2012) is the "surviving or even thriving of an organization" (para. 1). In support of this definition, sustainability means ongoing continuation of an organization (Coblentz, 2002). Yet another definition posed by a consulting firm that prides itself on being an expert on the concept, defines organizational sustainability as "the ability for a group of persons to endure the internal and external pressures of a culture, through change and innovation, as they endeavor to deliver their specific products" (LesKar LLC, 2009, para. 2). Although there are many different interpretations of the terms sustainability and organizational sustainability, one statement that can be made about this term is that it brings a positive meaning and connotation for the organization it is describing (Broekhuis & Vos, 2003). The following sections of this literature review will discuss the many facets of organizational sustainability in order to determine a final definition of the concept.

Financial Sustainability

One of the most prevalent and frequently focused upon components of organizational sustainability is the financial sustainability of an organization. It is often thought that an organization cannot maintain sustainability if it is not financially stable. McNamara (2012) supports this idea by stating that more often than not the primary focus of sustainability is on an organization's financial stability. Coblentz (2002) supports that assertion by stating that sustainable organizations are financially self-reliant. According to Coblentz, an organization becomes financially self-reliant by:

- [Knowing] the financial resources the organization is able to generate through its own income,
- [Knowing] what financial resources are on hand at any given time,
- [Knowing] the financial needs over the long, medium, and short-term to carry out the organization's activities,
- [Knowing] how it will gather the resources it needs from other sources of funding, and
- [Knowing] what those other sources could be. (p. 1)

If the executive management fully understands and knows the answers to each of the aforementioned points about their organization, they will achieve financial sustainability. This is because they know and understand all aspects of the organization's finances, which will allow them to make good decisions allowing the organization to achieve financial sustainability. However, it is important to remember that sustainability encompasses not only the organization's financial health, but also the organization's programmatic health.

Program Sustainability

Although there is no formal definition of program sustainability, program sustainability as an organization's ability to deliver a set of services for its customers over a long period, and satisfactorily maintain that service. Due to there being so many different types of programs, there is no one right way to achieve program sustainability. That discussion is outside the scope of this study. However, York (n.d.), author of *The Sustainability Formula*, states that program sustainability is created through program capacity. York states that the two ways program capacity is built are through (a) "adequate program staff with the requisite knowledge and experience to deliver service", and (b) "proper facilities to run efficient programs" (p. 11). If an organization has the right people and the right space, it can have programs any size the organization wants or needs. It is necessary for organizations to build capacity in order to have program sustainability.

Program sustainability works alongside financial sustainability. To ensure that the programs offered in an organization possess longevity, it is necessary for adequate funds to be invested into the programs to provide long-term results for the organization as well as the communities they serve. This is why overall organizational sustainability encompasses both financial sustainability and program sustainability. Programs cannot provide longevity if they do not have financial longevity, thus both components need to be present for overall organizational sustainability to be achieved.

Sustainability Formula

One of the primary pieces of research that links financial and program sustainability is the *sustainability formula*. According to a leading nonprofit consulting firm, the TCC Group (as cited in York, n.d.), which assists organizations on issues of sustainability, suggests that sustainability is a formula. The sustainability formula has three components: leadership plus adaptability plus program capacity equals sustainability (York, n.d.). This concept suggests that sustainability is a cumulative function of the entire organization and not just isolated functions or departments.

Leadership

The sustainability formula put forth by the TCC Group (as cited in York, n.d.) states that leadership is the first necessary component of a sustainable organization. According to this consulting group, a sustainable organization has strong leadership, which exhibits such characteristics as being a visionary, strategic, inclusive, decisive, inspirational, motivational, and accountable (York, n.d.). Leadership is a vital component of an organization's ability to continue. Strong leadership follows the organizational mission and develops long-term strategic planning (Coblentz, 2002). One of the primary findings of the TCC Group sustainability study found that organizations, which possess leaders who have strong *internal leadership* and *leader vision* are significantly more sustainable than those that do not have this type of leaders (York, n.d.). Internal leadership describes a leader who is "mission-centered, focused, and inclusive approaches to making decisions, inspire and motivate people to act upon them" (York, n.d., p. 3). Leader vision refers to "leaders who formulate and motivate others to pursue a clear vision" (York, n.d., p. 3). It seems apparent, then, that if an organization is to continue it must have leadership, and the leadership must not only manage but also be dedicated to the mission, vision, and desire to motivate all the stakeholders involved in the organization. Indirectly, this means that strong leadership ensures the organization has financial sustainability as well as program sustainability.

Adaptability

The second component to the sustainability formula is adaptability. Adaptability has two aspects: program adaptability and financial adaptability. A sustainable organization has the capacity to adapt to necessary circumstances, thus enabling the organization to continue. Program adaptability refers to an organization's ability to conduct program evaluation (York, n.d.). Coblentz (2002) supports this assertion by stating that organizations need to be proactive, but simultaneously flexible. Adaptability is flexibility. It is important to recognize that adaptability is a process, not just a plan. Sustainable organizations are alert enough to react to new realities and modify their plans, which requires organizations to be ready at all times, both financially and programmatically (York, n.d.).

The TCC Group sustainability study discusses adaptability as financial adaptability, specifically the ability of the leadership of the organization to make decisions that are *cost effective* (York, n.d.). For the leadership to make the best possible decisions, those that encourage sustainability for the organization, York (n.d.) states that cost effective

> Decisions are founded on two key factors: 1) cost of services on a per person basis, and 2) measures of effectiveness [that] define success through outcomes and/or behavioral changes for those being served and/or targeted. (p. 3)

York goes on to explain that often organizations focus on cost efficiency rather than cost effectiveness. York explains that organizations that focus on cost effectiveness are more sustainable than organizations that focus on cost efficiency. Nevertheless, it is important to understand that cost efficiency will lead to cost effectiveness, and that these two concepts are interrelated (Robbins, Decenzo, & Coulter, 2011). Effectiveness is "doing the right things or completing activities so that organizational goals are attained" (p. 6), doing those tasks that help an organization reach its goals (Lillywhite, 2007; Robbins et al., 2011). Efficiency is one of those *right things*. For an organization to be efficient, it accomplishes those tasks with the minimum amount of time and resources (Robbins et al., 2011). Therefore, efficiency is one way to be effective. As a result, "good management is concerned with both attaining goals (effectiveness) and doing so as efficiently as possible" (Robbins et al., 2011, p. 6), which is what makes the best, most sustainable organization. This is why the TCC Group's sustainability study found that organizations should place their focus on cost effectiveness in order to achieve sustainability (York, n.d.).

Program Capacity

The last piece of the sustainability formula is an organization's program capacity, which refers to the size of an organization's program and how many individuals they serve in that program (York, n.d.). Another common term used in place of program capacity is *scale*; these two words are synonymous. According to the TCC Group's sustainability study (as cited in York, n.d.), what differentiates sustainable organizations is the ability to increase service delivery, as well as develop programs that evolve actively through lessons, evaluation findings, and ongoing needs assessments. Another statistic from the TCC Group's sustainability study found that organizations that collect and use high-quality data from program evaluation and gather stakeholder input for planning and strategy implementation efforts are significantly more sustainable than those that do not (York, n.d.). This means that organizations with proactive effective program evaluation have the ability to increase their program capacity. If program capacity can be increased and monitored and evaluated properly, this will lead to program sustainability, which in turn will lead to a more sustainable organization.

Conclusion

One final note needs mentioning, which comes from the TCC Group's sustainability study. York (n.d.) states, "Sustainable organizations are learning organizations" (p. 7). This may be the most important statement from the entire sustainability study. Organizations embracing knowledge, leadership, motivation, and the ability to learn from one another and pass that information along so that the organizations as a whole may be successful is the ultimate answer to how organizations can achieve sustainability.

Definition and Application of Sustainability

The operational definition of organizational sustainability for the purposes of this research study is the ability of an organization to continue and maintain longevity through its leadership, by being financially and programmatically adaptable, while maintaining program capacity.

Finally, it is necessary to apply the definition of organizational sustainability to the concept of strategic restructuring. Referring back to research question one, *Is strategic restructuring a successful tool for sustainability?* that is to say, one way for an organization to achieve sustainability is by implementing some form of strategic restructuring to the organization. However, it is important to understand that an already sustainable organization that wants to prevent becoming unsustainable may also implement strategic restructuring. Nonetheless, it is the purpose of this research to demonstrate that strategic restructuring and sustainability go hand in hand.

Funder's Relationship with Strategic Restructuring

In all nonprofit organizations, the donor/funder plays a vital role in the continuation and sustainability of an organization. It is necessary to research and determine what perceptions the donor/funder has regarding strategic restructuring. This is the purpose of the second research question in this study.

Many experts on strategic restructuring have similar and varying opinions on what the perceptions of the funder should be in the strategic restructuring process. According to LaPiana (1998), "funders can provide direct assistance to organizations involved in strategic restructuring by sponsoring workshops, training consultants, or providing direct financial support" (p. 1). McLaughlin (2010) states "funders should encourage and fund mergers and alliances, not manage them" (p. 37). Both experts agree that funders do in fact play a role and need to support organizations going through strategic restructuring. However, McLaughlin takes the argument one step further, suggesting that the funder should not have a management role in strategic restructuring.

It is important to understand that the idea of funders encouraging collaboration is not groundbreaking news. The idea of supporting collaboration and now strategic restructuring has existed for as long as nonprofit organizations have been funded by third party payers (Radman, 2009). Taking this idea of funders encouraging collaboration to the next step, sometimes they may even require collaboration and "partnering as a condition for funding" (Ostrower, 2005, p. 36). LaPiana (2010) supports this notion with a finding from one of his more recent studies; one of the primary reasons organizations pursue strategic restructuring is to maintain funders' support. It is important to understand that third party payers provide the financial means to exist for all nonprofit organizations, thus it is reasonable for a funder to recommend or encourage strategic restructuring through funding.

Ways a Funder/Donor is involved in Strategic Restructuring

Since it has been determined that funders are and should be involved in the strategic restructuring process, the next question is what level of involvement is necessary, acceptable, or desired by the restructuring organization, its Board of Directors, and the funders/donors themselves. Funders can encourage strategic restructuring in several ways. The idea of strategic restructuring must come from within the organization in order to be effective, stresses LaPiana (1998). McLaughlin (2010) supports this notion by suggesting that if the funder suggests the idea of a merger or alliance it demonstrates a sign of failure on the organization's part. Thus, one of the most effective ways a funder can contribute to strategic restructuring is by freely discussing strategic restructuring and giving permission.

Giving Permission

The idea of giving an organization permission to discuss advanced methods of collaboration, such as strategic restructuring, demonstrates support. Funders operate in an enormously powerful crossroads of resources and respectability (McLaughlin, 2010). If a funder who sits at this level of power promotes strategic restructuring without directly advocating for such activity, organizations know that they have the support of their third party payer (LaPiana, 1998; McLaughlin, 2010). This provides encouragement and promotion of the idea as opposed to extinguishing it.

According to McLaughlin (2010), there are several different ways a third party payer can give permission for strategic restructuring: publically approving and supporting this strategy; funding collaborative efforts that involve mergers and alliances, which go beyond traditional collaboration; encouraging dialog and education on strategic restructuring, i.e. workshops, conferences, seminars; and defending strategic restructuring when media or other agencies object.

Sending the Right Message

McLaughlin (2010) describes multiple ways for funders to encourage and support strategic restructuring. The essence of what McLaughlin says is that funders need to send the right message of support to the organizations they fund. McLaughlin speaks to the urban legends of the idea of reduced funding due to strategic restructuring; organizations are afraid that if they merge with another organization and both organizations receive funding from a particular third party payer, this payer will no longer provide the same dollar amount of funding if the two organizations merge and become one. McLaughlin says though this is not often the actual reality it is a perceived fear of the organizations and many times a factor that dissuades organizations from entering into mergers or alliances. Barbara Andersen of the Orfalea Foundation provides an example of this exact situation within the Santa Barbara nonprofit community. Two homeless shelters recently merged and not only did the donating foundation continue to give at the same level of $50,000, but they increased the giving by $25,000 to give a total of $75,000. However, Andersen did go on to say that for every example where the funding remains the same or increases there is an example where the funding decreases (B. Andersen, personal communication, January 21, 2013). Thus, the research in this study will help to determine if strategic restructuring affects funding levels. Is it a realistic consideration for organizations to take into account when deciding to go through a strategic restructuring process? It is the purpose of the research in this study to help determine the reality of this issue.

One of the best opportunities for organizations to begin discussing mergers and/or alliances is upon the departure of the Chief Executive Officer (CEO), Executive Director, or other executive leader. This is why McLaughlin (2010) says the message the funders need to deliver is “Do not replace; merge” (p. 39). McLaughlin explains that this “simple yet powerful idea communicates a smart leadership response to normal executive attrition” (p. 39). McLaughlin suggests this idea as an opportunity if the idea of merging or aligning with another organization is already a possibility. McLaughlin suggests this because one of the biggest unknowns when two organizations come together is what will happen to the CEOs. If one or both organizations have a vacancy in that position, the idea of merging or advance collaboration becomes much easier to facilitate. A perfect example of this is found in one of the cases used to answer research question three, and is also applicable here. The Crittenton Women’s Union merger happened because both organizations performed similar services for the same group of individuals and both were in need of executive leadership, which became the catalyst for their merge. For complete detailed information on the case, please refer to Case Study #6 on page 37. Thus, the message of do not replace the CEO, merge with a like-minded organization and become more efficient (McLaughlin, 2010). This concept supports the idea that a foundation's primary reason for supporting partnerships is their goal to achieve efficiency by avoiding duplication (Ostrower, 2005). Ultimately, what every third party payer is trying to achieve is maximizing every funding dollar through efficient providers of service.

Providing Financial Assistance for Strategic Restructuring

The aforementioned options present no cost/low cost ways foundations and other third party payers can encourage strategic restructuring. However, possibly the best and most notable way to support strategic restructuring is to provide funds to support and encourage strategic restructuring. Since the evolution of strategic restructuring in the nonprofit sector, more and more nonprofit organizations and foundations are creating grants and other avenues to encourage this advanced level of collaboration.

Organizations such as the Lodestar Foundation, MAP for Nonprofits, The San Francisco Foundation, Chicago Community Trust, and Council of Community Services of New York State have created specific funds dedicated to realignment and strategic restructuring efforts. These organizations have created funds called the *Nonprofit Transition Fund* and the *Community Realignment Fund* (Radman, 2009). The message that these type of funding sources sends to organizations is that they support mergers, alliances, and other realignment efforts. These are funds of support and encouragement for reorganization.

An exemplary fund for strategic restructuring is the San Francisco Foundation's (2012) *Nonprofit Transitions Fund*. The following is the background and purpose of this fund:

> The Nonprofit Transitions Fund helps organizations rethink and regroup in response to the downturn in the economy. The goal of the Nonprofit Transitions Fund (NTF) is to help nonprofits reduce costs and time spent on administrative work, as well as increase productivity. This fund is intended to ensure the sustainability and vitality of the Bay Area nonprofit sector by supporting nonprofit agencies and their consultants as they plan mergers, program partnerships, and shared service arrangements. A small, discretionary fund … will support serious planning efforts, consultants, due diligence, and other expenses related specifically to the following activities:
>
> - Merger/acquisition/consolidation
> - Post-merger integration costs
> - Back office collaborations (including rent, equipment, group insurance, joint purchasing, and centralizing human resources, payroll and benefits administration, and financial and grants management)
> - Service delivery joint ventures. (Supporting Intentional Change section, para. 1)

Funders/donors/third party payers need funds and grants such as this to continue creating nationwide support to help encourage nonprofit organizations engage in strategic restructuring activities. Funds like these demonstrate support to organizations throughout the entire process of such large undertakings as strategic restructuring.

It is important to understand the many different levels of financial support third party payers can provide. LaPiana Consulting (2012b) suggests one of the simplest financial assistance a foundation can provide is to fund a readiness study. A readiness study is where the organization takes the time to research and analyze their organization internally, to ensure they are ready to engage in an elaborate partnership required by all strategic restructuring events. Funders need to remember that they do not have to take on the entire funding of a restructuring plan to play a part or affect the organization; if many funders support various pieces of a restructuring plan and work together, this will demonstrate collaboration as well as support for strategic restructuring.

Another area of funding that LaPiana and Kohm (2003) suggest would be beneficial to the overall topic strategic restructuring is to fund research and development studies. They suggest two future studies of benefit: (a) long term evaluations that focus on costs and benefits and (b) post-consolidation integration challenges. Although these may not be funding for a specific strategic restructuring plan, the education and knowledge gained from this investment can be invaluable.

Providing Educational Activities to Promote Strategic Restructuring

Several different sources suggest that one of the best, least invasive ways for funders to encourage strategic restructuring is by providing educational activities so that nonprofit leaders and executives can learn about strategic restructuring as a potential long-term strategy for their organization (LaPiana, 1998; LaPiana & Kohm, 2003; McLaughlin, 2010). A funder can facilitate a wide variety of educational activities; this depends on the level of strategic restructuring they want to evoke. If the third party payer simply wants to *get the word out* to the local nonprofit organizations to make them aware of strategic restructuring, LaPiana (as cited in LaPiana Consulting, 2012b) suggests three ways to do this activity. One way is to “hold a workshop or a webinar to make grantees aware of options beyond merging” (Five ways grant makers can help section, para. 1).

Another way to do this is to "create a publication or create an area on the grant maker's website that provides information and education regarding strategic restructuring" (Five ways grant makers can help section, para. 1). The last way to do this is to "share examples of case studies of successful collaborating on the local and national level with the grantees" (Five ways grant makers can help section, para. 1). However, if the grant maker wants to have a greater impact and assist in the facilitation of a strategic restructuring he/she can provide is a greater level of assistance and education. LaPiana Consulting (2012b) and McLaughlin (2010) suggest sponsoring a training program for local consultants so they can learn state-of-the-art, proven strategic restructuring practices, which they can then share with local nonprofit organizations and help facilitate successful strategic restructuring plans.

Lastly, one seemingly simple but highly impactful method of educating organizations on strategic restructuring is for grant makers to highlight successful partnerships in media outreach efforts (LaPiana Consulting, 2012b). LaPiana (2003) explains that it is vital for grant makers to disseminate information about strategic restructuring to nonprofit organizations as this demonstrates support, provides education, and informs organizations about strategic restructuring activities that are taking place within the community that they may not otherwise know existed. This process can also provide leaders with a certain level of comfort knowing someone else in the community has gone through what they are going through and may provide feedback while they go through the strategic restructuring process.

In conclusion, it is important to remember that the leaders of nonprofit organizations greatly rely on foundations, government grants, and third party donors to provide not only their financial support but also their moral support for the organization. It is important that these parties remember their impact on nonprofit organizations and use positive, beneficial ways to demonstrate support for strategic restructuring. Ultimately, both the funders and the organizational leaders want to see the organization achieve maximized efficiencies and effectiveness so it can be sustainable and profitable in its mission and long-term vision (McLaughlin, 2010).

Case Study Analysis

To address the third research question of this study it was necessary to analyze not only several independent reports from specialists, consultants, nonprofit executives, but also several different case study narratives of organizations that have been through the strategic restructuring process. It is necessary to provide the reader with a brief synopsis of each case to ensure a better understanding of the cases and their application to the research. Specific examples from each case provide answers for the third research question.

Case Study #1: HOPE Services and Skills Center

HOPE Services and Skills Center is a case about two independent organizations that assisted individuals with developmental disabilities and came together as one organization through a merger of the two organizations. HOPE Services is located in San Jose, CA, which was financially stable and on a path of growth. Skills Center was a much smaller organization serving the Santa Cruz, CA area. Encouraging the merge was the fact that the two organizations had overlapping missions and visions (Chang & Powell, 2008). In addition, "HOPE was less progressive programmatically than Skills, but more financially stable. The Skills Center was very 'avant-garde' in terms of its thinking and philosophy" (p. 10). Each organization had something to gain from the merge. Overall, the merge created a much larger organization both financially and physically, which served a much larger geographic area and more individuals. This was the primary purpose for the merger of these two organizations.

Case Study #2: Southside Coalition of Community Health Centers

"The Southside Coalition of Community Health Centers is a collaborative of eight community health centers (CHCs) providing safety-net services in South Los Angeles" (California Healthcare Foundation, 2010, p. 1). Due to a number of socio-economic pressures such as increased poverty, increased number of uninsured individuals, and the impending closure of the local county hospital, a group of clinics joined and created a separate nonprofit organization known as the Southside Coalition of Community Health Centers. This nonprofit procured the funds to ensure that all individuals in need of safety-net services could receive them at any one of the eight participating clinics in the area. Though each of the eight clinics is independent of the others, the coalition provides joint programming and a shared funding source to ensure basic services are available to those in need in this geographical area (California Healthcare Foundation, 2010).

Case Study #3: Western Sierra Medical Clinic and Miners Family Health Center

Western Sierra Medical Clinic and Miners Family Health Center is a case about two health centers separated by approximately 60 miles that merged together to create a larger health clinic network in the Western Sierra Mountains and Grass Valley in California. These two organizations strategically restructured to come together in a full complete merge into one organization. Each health clinic had assets the other desired and felt would benefit their organization, which made the merge a win-win for both organizations. Western Sierra Medical Clinic had a prestigious federal certification to offer and Miners Family Center was a much larger, more financially stable health clinic serving a much larger metropolitan area. The two organizations came together to create sustainability in both of their communities by ensuring a system that provided a continuity of care (California Healthcare Foundation, 2010).

Case Study #4: Chattanooga Museums

This case is about two prominent museums in Chattanooga, Tennessee that were suffering financially. The administrative cost to run each museum was exceeding the revenue generated by the number of visitors, and they needed to find a way to survive. Jointly, they reached out to the thriving Chattanooga Aquarium for assistance, what evolved was an administrative consolidation where one set of administrative services department served all three museums. This provided a solution to the ailing museums and a way to cut costs to the Aquarium (LaPiana Consulting, 2009a). In the end, the administrative consolidation has proven to be a unique and successful strategic restructuring.

Case Study #5: Ready, Set, Parent!

Ready, Set, Parent, was a unique 2-year process that ultimately created a joint programming effort and administrative consolidation between EPIC (Every Person Influences Children) and Baker Victory Services (BVS). Both organizations served Western New York where they independently provided hospital-based parent education programs to help parents foster the social, emotion, and cognitive development of their children in order to better prepare them for school. However, both programs had a limited number of participants and wanted to create greater impact as well as add to their current program offerings. Through the joint program, the two organizations now work together through the joint program of Ready, Set, Parent! reaching 8,000 new parents each year (LaPiana Consulting, 2009b).

Case Study #6: Crittenton Women's Union

In this case, Crittenton, Inc. (Crittenton) and The Women's Union (TWU) merged to create a new organization to provide better service to the low-income women and families of Massachusetts. Prior to their merge, Crittenton was a human service agency providing shelter and other direct services to women and children. TWU, an advocacy organization, conducted programs and researched housing issues around the social and economic challenges faced by this same population. Though the two organizations were not seeking change or a merge, when they realized how well their services complemented each other they decided to merge and create a more sustainable, more profitable organization (LaPiana Consulting, 2010).

> However, this opportunity may not have come to light had not both organizations found themselves, in late 2005, facing the imminent departure of their respective CEOs. This served as an unexpected catalyst that brought the two boards together in a merger process that was lunged in February 2006 and completed by July 1, 2006. (p. 1)

Case Study #7: Corporations for Public Management and New England Farm Workers' Council

In the case of Corporations for Public Management (CPM) and New England Farm Workers' Council (NEFWC), the two organizations quickly ruled out a full merger of the two organizations but did agree that an MSO partnership was both appealing and yet allowed each organization to maintain some autonomy. The MSO allowed the two organizations to consolidate and share administrative support functions, human resources services, as well as some fiscal and information technology services. The creation of the MSO, a third and separate nonprofit organization, did require extensive time and money from the two organizations, but in the end, it has created long-term sustainability for both organizations, as well as assisting other nonprofit organizations in the community with similar missions as CPM and NEFWC (Kohm & LaPiana, 2003).

Case Study #8: Zonta Service and Peninsula Children's Center

In this case, the two agencies "provided educational, mental health and other services to children with physical and mental disabilities in the San Francisco Bay Area" (Kohm & LaPiana, 2003, p. 113). The two organizations dissolved and merged all functions to become a new agency called ACHIEVE, a larger, more sustainable, wealthier organization that is better equipped to serve a larger population of mentally and physically disabled children in the San Francisco Bay Area (Kohm & LaPiana, 2003).

Necessary Conditions for Strategic Restructuring

After reading and analyzing these cases several themes emerged that became apparent as consistent organizational conditions that are ubiquitous in organizations that have gone through the process of strategic restructuring at any level. While many different catalysts cause the strategic restructuring process to occur, in all cases there are key characteristics that need to be present in order for the restructuring to be successful. Characteristics that are necessary and important for successful strategic restructuring include open communication at all levels, support from board of directors, common organizational mission and vision, strong staff teams, and trust (Kohm & LaPiana, 2003;

McCormick, 2001; McLaughlin, 1998). Even though many different consultants, both individuals and large organizations, claim to be experts in the area of strategic restructuring, there is no official research to support their claims. Therefore it is the intention of the third research question to qualitatively analyze several cases using themes and patterns to determine if these characteristics are necessary and present in each case of strategic restructuring.

Open Communication

It seems through all of the case studies analyzed the constant thread in each case is open communication between the restructuring organizations. According to one president of many nonprofit organizations, "unlike mergers among corporations, which are normally negotiated among a few people who keep quiet until all details are worked out, nonprofit mergers require any and all stakeholders…to be involved" (Strom, 2007, para. 14). Open communication needs to occur at all levels and between many individuals at each level. In case #1, the two CEOs communicated nonstop throughout the planning and implementations phases of the full merger; "there were significant planned interactions at the senior management level" (Chang & Powell, 2008, p. 13). The two CEOs spent time with all staff members to inform them of where the organizations were headed and why the merger was an excellent idea and beneficial to all parties. To ensure that the correct information was given and to minimize the *rumor mill* of both organizations a strong public relations effort took place. The continued communications were written as well as being reiterated in meetings. Constant efforts were made to ensure ongoing education for all the employees about every aspect of the merger (Chang & Powell, 2008).

Open communication was an essential element for both leaders of both organizations in case #3. In this case the two CEOs "abide[d] by the rule of no surprises, by providing frequent updates to staff, to keep them informed" (California Healthcare Foundation, 2010, p. 11). This constant and open communication provided the staff with opportunities to provide input; this created buy-in of all the employees at all levels (California Healthcare Foundation, 2010).

In case #7, the leaders of both organizations had to communicate routinely with the community-at-large and outside stakeholders to ensure clarity of the partnership taking place. They used newsletters, a website, town hall meetings, etc., to ensure there were no misunderstandings among the outside community. These communications greatly facilitated the success of this partnership (Kohm & LaPiana, 2003).

In case #8, the directors of both organizations encouraged staff at all levels to meet with their counterparts at the other organization to determine the differences and similarities between the organizations. This allowed all levels of the organization to participate fully in the strategic restructuring (Kohm & LaPiana, 2003).

Full disclosure during any sort of change process may result in employees becoming unmotivated, suspicious, and mistrustful of the change that is taking place in the organization. Although there is little documentation of this phenomenon in the nonprofit sector it is well known that this does happen in the for-profit sector. Based on the evidence provided by the case studies cited, it seems open communication aided in the process of strategic restructuring. Without this level of constant, open communication, the personnel of these partnerships may have felt lied to or mislead. Previously, as a manager in both the nonprofit and for-profit sectors, it is necessary to create buy-in among the employees and encourage them to participate throughout the process of organizational change; this is essential in order for the change to be successful. Kohm and LaPiana (2003) support this idea of organizational buy-in, by explaining that individuals need information to persuade them to join the change process. Information is what open communication provides employees. This concept will be explored and analyzed in the analysis of the cases used to answer the third research question.

Strong Executive Collaboration

Another commonality among all the cases analyzed is that the main executive leaders for each organization worked closely and openly with the executives of the other organizations involved in the partnership. These executives were directors, CEOs, vice presidents, Chief Financial Officers (CFOs), Chairmen, etc. They did not allow their egos to be involved but rather managed as leaders and for the greater good of the organization. In case #1, when the two executive leaders met, “it was pretty clear that we had common interests… after our third lunch… we decided that we needed to establish some sort of affiliation” (Chang & Powell, 2008, p. 10) and the HOPE merger was born. In case #3, the executive leaders knew that their only way to long-term sustainability was to “collaborate, expand, and partner” (California Healthcare Foundation, 2010, p. 10). In case #5, the two executives had known of each other and were familiar with each other but they had never formally worked together; a simple phone call led to the development of a planning committee that included members from both organizations (LaPiana Consulting, 2009b). In case #1, this level of communication, trust, and friendliness continued throughout the entire merger process (Chang & Powell, 2008). In most, if not all cases, of successful mergers, a continued level of communication and trust is necessary throughout the restructuring process. This is because if the highest level of leadership is not actively communicating and supportive of the strategic restructuring, it is unrealistic to expect the other staff to be communicating and supportive either. Thus, it is essential to the restructuring process for the key leadership to communicate and be supportive of the strategic restructuring process.

Board Support

In all cases of strategic restructuring, it is essential to have the support of the board of directors. This is because the board of directors must vote on all changes in locus of control in any nonprofit organization; without board support a formal strategic restructuring cannot take place (McCormick, 2001). In case #6 both organizations were human service agencies that provided support to low-income women and families in Massachusetts. The merger may have not taken place if both board chairs had not recognized a common opportunity in their respective leadership transitions and taken action by meeting (LaPiana Consulting, 2010). In case #2, "the strategic restructuring assessment and decision making process was led primarily by the board, which is comprised of the CEO of each of the eight clinics" (California Healthcare Foundation, 2010, p. 4). In case #3, the board members helped champion the strategic restructuring effort. The CEOs intentionally created opportunities for the board members to interact socially to promote the restructuring and create strong relationships (California Healthcare Foundation, 2010).

Another reason that board support is essential is because in the case of a full merger the board will have to be re-configured to combine the members of the two previous boards. In the case of the HOPE-Skills merger, HOPE had 12 board members and Skills had eight board members (Chang & Powell, 2008). "Each board member from the two organizations supported the merger" (p. 14). This support is a necessary when two or more organizations merge because often times the two boards will be condensed into one board, which usually results in certain positions being dismissed due to duplication. Thus, all board members being supportive, participating as team players and not setting out solely to protect themselves, will allow for a successful merger.

Common Mission and Vision

Many different handbooks, how-to-books, guides, and manuals have been written to assist nonprofit organizations through the strategic restructuring process, many of which are sources of material for this study. However, none of the books explicitly states that a desired common characteristic of organizations going through strategic restructuring is their possession of a common and/or complementary vision and mission. McCormick (2001) does state that mission relatedness does assist in choosing a partner. McCormick goes on to explain that it is important to focus on "overall macro-mission concepts" (p. 23). He gives the example that if an organization is an educational entity it makes sense to partner with another educational organization; in addition, he provides the example that for a health organization whose leadership believes that their mission would be furthered by a school-based health initiative, these two organizations may also be just as compatible (McCormick, 2001). In all the cases analyzed and researched for this study, the organizations that find common ground and good partnerships have common or complementary visions and missions. In the HOPE-Skills merger, one of the primary drivers was organizational overlap and common missions (Chang & Powell, 2008). In many cases, the organizations that are collaborating serve similar populations with common missions and visions but in different geographical areas (California Healthcare Foundation, 2010; Chang & Powell, 2008; Kohm & LaPiana, 2003; LaPiana Consulting, 2010). This is the case in the Western Sierra-Miners merger, the Crittenton TWU merger, the Zonta Services and Peninsula Children's Center merger, and the HOPE-Skills Center merger.

A mission is the organization's primary purpose; its vision is how it will attain the mission in the future (David, 2011). If these two cornerstone philosophies of an organization do not align or connect in some way, it may be more difficult for the organization to restructure successfully than organizations that do have common or complementary mission and vision statements (McCormick, 2001). Again, it was the purpose of this study to determine if a common characteristic among restructuring organizations is that the organizations have common vision and mission statements.

Trust

One of the understated elements that makes all strategic restructuring projects successful is the element of trust (McLaughlin, 2010). Trust must be present between the organizations engaging in the strategic restructuring process. McLaughlin (2010) discusses it more than most consultants; he states that "trust underlies collaboration that participants need to develop a level of understanding and respect for each other…which cannot be willed into existence" (p. 63). Trust is needed because of the level of risk these organizations are undertaking in order to better themselves and the communities they serve. Therefore, it is necessary for the leaders of these strategic restructuring events to trust one another in order for this change to be effective and sustainable. It is important to note that trust is an element that is not automatically present between individuals; it must be earned (Yankey, Willen, Jacobus, & McClellen, 2005). In all of the cases researched and used in this study, trust was a key element that was found to be essential to the success of the change brought about in the strategic restructuring. Yankey et al. (2005) suggests that open communication facilitates trust because if leaders are communicating openly there are fewer misunderstandings and issues of distrust, thus facilitating perceived trust. In the case of the Crittenton-TWU merger, the board of directors for each organization openly trusted the other board when disclosing proprietary information (LaPiana Consulting, 2010). In the case of the Chattanooga Museums' administrative consolidation, all the organization's management and staff had to share operational information with one another to ensure that the consolidation was successful. In this instance not only were there many different personalities and levels of management and staff working together, but also proprietary information was being shared between all levels, and at the end of the consolidation each organization was still going to stand on its own, which often times restricts how much information individuals are willing to share (LaPiana Consulting, 2009a). Because the organizations will not always condense into one organization, this frequently makes trusting one another more difficult and presents a larger issue in the restructuring, because in the end all participants still have their own individual organization to which to return. In a full merger, all participants will end up being a part of one larger organization. Nonetheless, trust is an essential key element to a successful strategic restructuring process (McLaughlin, 2010).

Chapter Summary

From this literature review, a few key findings need to be highlighted. First, the determined working definition of organizational sustainability is the ability of an organization to continue and maintain longevity, through its leadership, by being financially and programmatically adaptable while maintaining program capacity. Because one of the key ingredients of organizational sustainability is financial adaptability, this definition will be used to test the first research question.

From the literature presented it seems reasonable to state that grant makers, funders, third party payers all have the ability to and should play a significant role in an organization's strategic restructuring process. As highlighted, talking about strategic restructuring is the most significant way to do this (McLaughlin, 2010). Third party payers need to let organizations know that this concept does exist and is a positive management strategy. Third party payers need to support the idea of strategic restructuring. Providing meaningful educational materials and opportunities for organizations to learn about this alternative management strategy demonstrates support for strategic restructuring (LaPiana, 1998; LaPiana & Kohm, 2003; McLaughlin, 2010). Finally, the greatest impact and most supportive role a funder can provide is to create and designate funds that support organizations going through the process of strategic restructuring.

The last area discussed in the literature review was the key characteristics that need to be present in order for strategic restructuring to be successful. The items that were found to be common through all of the case studies analyzed are: open communication, strong executive collaboration, board support, common/compatible mission and vision, and trust. These are the same characteristics that the researcher emphasized when analyzing the selected cases this study.

CHAPTER THREE: METHODOLOGY

To strengthen the research of this study various methods were used to analyze the data. This process is known as triangulation. There are various types of triangulation. This study used two different types of triangulation. First, data triangulation was used because each research question used different data to answer the research question. In addition to data triangulation, methodological triangulation will also be used because two different methods were employed to study and examine the issue of strategic restructuring (Patton, 2002). Both qualitative and quantitative research methodologies were used to evaluate the research questions and hypotheses set forth in this study. The qualitative and quantitative research was done simultaneously. Using different sources of data and different methods to test each research question triangulated the data and provided the most complete answer to the overall question, *Is strategic restructuring a reliable strategic management tool for nonprofit leaders and professionals?*

Research Questions

This study explored the following research questions and hypotheses.

1. Is strategic restructuring a successful tool for sustainability in the nonprofit sector?

H_0: Nonprofit organizations that implement strategic restructuring are as equally sustainable after the implementation of strategic restructuring as before strategic restructuring.

H_1: Nonprofit organizations that implement strategic restructuring are more sustainable after the implementation of strategic restructuring than before strategic restructuring.

2. What are the perceptions of the funder/donor of the strategic restructuring process for a nonprofit organization?

3. What factors contribute to a successful strategic restructuring partnership?

To explore the first research question, the researcher used a quantitative method to test the underlying hypothesis using financial statement analysis of each of the organizations in the selected case studies. Financial ratios, including current ratio, debt ratio, fundraising efficiency, fiscal performance, savings ratio, liquid funds indicator, and volatility ratio, which are significant to nonprofit organizations, were used to measure the financial change in the organizations between the years being analyzed. This analysis determined quantitatively if strategic restructuring was beneficial overall to the participating organizations.

Exploration of research question two used a qualitative method of interviewing nonprofit leaders and third party payers from across the United States to determine the perceptions of third party payers regarding strategic restructuring. The interviews were transcribed and then analyzed for themes and patterns to determine if there were consistent beliefs, thoughts, and theories regarding the perception of strategic restructuring among this group of various third party payers.

Investigation of the third and final research question used a case study analysis of the selected cases that were used in analyzing the first research question. The narratives of these cases were reviewed to determine if the factors given in the literature review were also present in the cases and contribute to the strategic restructuring process. Each narrative was analyzed looking for evidence of open communication, strong executive collaboration, board support, common/compatible mission and vision, and trust.

The Nonprofit Collaboration Database

The cases that were used in this study were all cases of collaboration ranging from strategic alliances such as administrative consolidations and joint programming to the complete integration of organizations such as mergers, joint ventures, and parent subsidiaries. All of these cases are included in the Nonprofit Collaborative Database, which "was originally developed by Lodestar as part of its work related to The Collaboration Prize competition, which it launched in 2008" (Foundationcenter.org, 2012, para. 2). The Collaboration Prize is a grant given by the Lodestar Foundation to reward strategic restructuring efforts by nonprofit organizations throughout the United States. The Foundation Center "capitaliz[ed] on the wealth of material created through the collaboration prize nomination process" (Foundationcenter.org, 2012, para. 2) and created the Nonprofit Collaboration Database. This database provides access to over 670 entrants including all of the relevant information about and documents from the collaborations (Foundationcenter.org, 2012). It is understood that the information collected in the database was originally constructed for purposes of giving a grant to the organizations that won the prize. However, after a thorough review of all the information required of each organization about their collaboration efforts, the database presents a well rounded, complete description and details of the collaboration such that these case studies seem sufficient to use as the primary source of data for this study. Because of the limitations imposed on this study, which is discussed in the following section entitled *Limitations and Delimitations*, only 57 cases (17 cases from 2007, 39 cases from 2008, and one case from 2010) of the 674 cases available in the Nonprofit Collaboration Database were included in the study.

Source of Financial Data on Selected Case Studies

The financial data needed to analyze and answer research question one were obtained from publically available IRS form 990, which is completed annually by all nonprofits that have annual revenues greater than $25,000. Thus, no special permission was needed to study the finances of any of the organizations in any case. According to research done by Lee (2010), "IRS 990 form requires nonprofit organizations to report more detailed components of revenue and expenses than audited financial statements" (p. 6). These IRS forms were obtained from Guidestar.org, which is a website that provides the IRS Form 990 at no charge to anyone who needs it.

Financial Statement Analysis

After all the IRS Form 990s were received, the researcher used each organization's Form 990 to perform a within-case analysis for each case studied. As stated earlier, to answer the first research question and to test the research hypothesis the researcher used a quantitative research method known by accountants and other financial professionals as financial statement analysis. Several different sources and academic research papers were used to determine which ratios were best suited to analyze nonprofit organizations. These financial ratios have been deemed to be specific indicators of success and sustainability for a nonprofit organization (Barr, 2008; Lee, 2010; McLean & Coffman, 2004). Upon comparing all the different sources, seven ratios emerged as successful tools for comparing similar nonprofit organizations. These seven ratios were used to perform financial statement analysis. This analysis was done the year prior to the strategic restructuring of the organization, the year after the restructuring took place, and a using the most recent financial data available as of this research. Table 1 presents these ratios and an explanation of the information the ratio provides.

Table 1

Financial Statement Analysis Ratios with Explanations

Analysis Ratio	Formula	Explanation
Current Ratio	$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$	"An indication of the organization's ability to pay obligations in a timely way (within 12 months). A useful indicator of cash flow in the near future" (Barr, 2008, p. 4).
Debt Ratio	$= \frac{\text{Total Liabilities}}{\text{Total Assets}}$	"How much the organization is relying on funding from others, such as loans, payables, and obligated funds. Indication of how much of a cushion there is" (Barr, 2008, p. 5).
Fundraising Efficiency	$= \frac{\text{Fundraising Expenses}}{\text{Contributions}}$	"Calculates how much the organization spends to generate $1 in charitable contributions" (Leder, 2012, p. 22).
Fiscal Performance	$= \frac{\text{Total Revenue}}{\text{Total Expenses}}$	This calculates the fiscal management of each organization by analyzing revenue to expenses (Lee, 2010).
Savings Ratio	$= \frac{\text{Revenue} - \text{Expense}}{\text{Total Expense}}$	"The savings ratio reveals the rate of the nonprofit's savings by measuring the relationship between total annual savings and total expenses…The savings ratio should be considered in combination with the liquid funds indicator." (McLean & Coffman, 2004, para. 25).
Liquid Funds Indicator	$= \frac{\text{Total Net Assets} - \text{Restric Net Assets} - \text{Fixed Assets}}{\text{Average Monthly Expenses}}$	The liquid funds indicator measures an organization's operating liquidity by dividing fund balances… by an average month's expenses. A high liquid funds indicator could point to low cash-funding urgency and excessive savings (Holman, Ihrke, & Grasse, n.d.).
Volatility Ratio	$= \frac{\text{Donations}}{\text{Program Revenue}}$	The Volatility ratio analyzes the risk level against economic downturn. If the economy declines there will be fewer donations thus for a program to sustain itself it needs more program revenue then donations (D. Periera, personal communication, June 18, 2013).

Benchmarking

Benchmarking is a tool that is used in both nonprofit and for profit organizations. It is important to discuss this concept here, as there is a benchmark for each of the financial ratios used in the financial statement analysis performed for research question one For each ratio, there is a standard against which an organization can judge itself and measure itself against other organizations. The following paragraph presents a list of the benchmark each ratio provides.

The benchmark for the Current ratio is a 1:1 ratio at a minimum; the higher the ratio of assets to liabilities the better (Barr, 2008). The benchmark for the Debt ratio is 2:1; it can be higher if the liability is for a productive purpose such as a building or financing for a housing project (Barr, 2008). The benchmark for the Fundraising Efficiency ratio is said to be acceptable at 35%. Charity Navigator gives its highest rating to those organizations under 10% (Leder, 2012). The benchmark for the Fiscal ratio is a 1:1 ratio; anything larger demonstrates the organization's ability to save, anything smaller suggests a deficit (Lee, 2010). The benchmark for the Savings ratio is directly related to the Fiscal ratio; when the Fiscal ratio exceeds a 1:1 ratio there is a positive Savings ratio. Though there is no benchmark, an increasing or higher Savings ratio over time shows an increasing positive fiscal position. The Liquid Funds Indicator also works with the Savings ratio. Its benchmark, though not specific, uses the same rule as the savings ratio: the higher the better (McLean & Coffman, 2004). McLean and Coffman (2004) also suggest that, if the nonprofit has low liquid funds, a higher savings ratio may be desirable. The benchmark for the Volatility ratio is much like the Current ratio; a desired ratio of 1:1 at a minimum and 2:1 is even better, creating a more sustainable organization during economic downturn (D. Periera, personal communication, June 18, 2013).

Quantitative Analysis through Multivariate Analysis of Variance

The analysis technique that will be used to compare the financial ratios is multivariate analysis of variance (MANOVA); this type of statistical test is used when there are multiple independent variables that are related to one another as well as multiple dependent variables (Mertler & Vannatta, 2005). Specifically, this study will use a two-way MANOVA because there are two independent variables. The independent variables (IVs) are the event of strategic restructuring (before and after the event, IV_1) and the type of restructuring (IV_2).

The MANOVA statistical test is a highly robust test when there are several different dependent variables present. MANOVA provides a more holistic picture when looking at the impact on a number of dependent variables (Mertler & Vannatta, 2005). There are seven dependent variables: quantitative metrics, not categorical data that will be analyzed (DV); they are the seven financial ratios that will be calculated before the strategic restructuring and then again after the strategic restructuring event. The seven ratios that will be examined, are current ratio (DV_1), debt ratio (DV_2), fundraising efficiency ratio (DV_3), fiscal performance ratio (DV_4), savings ratio (DV_5), liquid funds indicator ratio (DV_6), and volatility ratio (DV_7).

The MANOVA methodology is based on finding a linear combination between DVs that offers the largest amount of separation between categories of the factor (IV). Once this linear combination is found, the process is reduced to an Analysis of Variance that looks at the group differences on this new single DV. Since two IVs are assumed, the process will generate three separate combinations of DVs, one to maximize differences across categories of the first IV, two to maximize differences across categories of the second IV, and three to maximize differences across interactions of the first and second IV. It is important to note that the hypothesis looks at the vectors of averages rather than the average for a single group and single DV (Mertler & Vannatta, 2005).

MANOVA is a multi-step statistical test. The first step of MANOVA is to determine if there is statistical significance, if there is statistical significance and the null hypothesis is rejected, then to identify which DV is affected by the factor(s), a series of ANOVA tests, using adjusted alpha levels, are conducted on each DV. A Post Hoc test is conducted to find out where the specific differences lie. Because there are two IVs the Wilks' Lambda test will be used (Mertler & Vannatta, 2005).

Qualitative Analysis through Interviews

The second research question will be answered by collecting data through the qualitative method of interviews. These interviews will be one-on-one interviews with individuals who are considered elite experts regarding the funding of nonprofit programs and organizations. It is anticipated that approximately 10-15 individuals will be interviewed. In the event that an individual does not want to participate, the researcher will replace this individual with another expert. The sample of individuals interviewed for this study is nonprofit executives, many of which are the Executive Directors of their organization. Due to the nature of the nonprofit structure, this is the highest person of power in the organization; if these individuals agree to participate in the interviews no additional approval is needed from the organization because they represent the highest level of approval for their organization. The anticipated participants are all employees of organizations located in the United States and the majority of these individuals are employed by organizations that operate in Southern California. The participants were not selected randomly. This is because this topic is so new and few experts are familiar with this strategic management tool. Therefore, these individuals were people recommended to and known by the researcher as well as the Dissertation Committee Chair. It is important to note that these individuals were in no way related to the cases of nonprofit organizations used to answer any other research questions in this study.

To arrange for these interviews to take place the following steps were taken. Initial contact was made with each of the individuals via email; these email addresses were either obtained through personal referrals though previous contacts the researcher had with these individuals or given to the researcher by the Dissertation Committee Chair, Dr. Ed Khashadourian. After the initial email contact, the researcher set up a phone call to explain quickly what the interview is regarding and to determine if the potential participant was interested in participating. During this phone call, the researcher explained that it would be best for the interview to take place face-to-face, if possible, and schedule a date and time for the interview. These interviews were semi-structured and would be audiotaped, and transcribed. Therefore, it was anticipated that the interview would take place at the interviewees' offices because this location is a private, quite space that allows for open discussion as well as creating the optimal conditions for recording the conversation. Prior to the interview, the participants were required to sign the Informed Consent agreement, which can be found in Appendix C. Each individual was asked 20 interview questions (see Appendix B). Upon the completion of the interview and having the interview transcribed, the researcher employed member checking, which allows the individual to review the interview and approve the content of the interview. Then the interviews were analyzed and compared to determine related themes and patterns among the interviewees about their perceptions regarding strategic restructuring and their organization's involvement and encouragement of strategic restructuring. This information was compared and related to what was given as information related to this topic in the literature review. To validate the themes and patterns found during the analysis, the researcher used a third party individual to validate the findings of the research.

Qualitative Analysis through Case Study Analysis

The third research question was answered by collecting data through case study analysis. The case studies analyzed were the same case studies that were chosen for research question one. As a component of the database, these same 57 cases (17 cases from 2007, 39 cases from 2008, and one case from 2010) each had a narrative description of the strategic restructuring process that took place within their organization. This narrative was analyzed for patterns. The researcher looked for evidence of the independent variables, which are factors that demonstrate successful strategic restructuring as stated in the literature review of this study, that are present in these cases' narrative descriptions. Five independent variables were analyzed: open communication, strong executive collaboration, board support, common/compatible mission and vision, and trust. Language that is suggestive of the variable served as evidence of a variable being present. This language was quoted and used as supportive evidence that organizations that are successful at strategic restructuring must possess all five of these characteristics. Like the second research question, a third party was used to validate the themes and patterns discovered by the researcher. This third party individual reviewed the case narratives to determine if the patterns found by the researcher do exist.

Limitations and Delimitations

The limitations of this study related to the type of organization that can be included in this research study. This research was limited to only nonprofit organizations, specifically only nonprofit organizations that have been through the process of a formal strategic restructuring.

The delimitations that the researcher imposed on the research were:

1. All the organizations analyzed were included in published case studies, chosen from the Nonprofit Collaboration Database.
2. Only organizations classified as tax-exempt and carrying the tax classification of 501(c)(3), a public charity, which have a publically available IRS form 990, were included in this research.
3. The cases used in this study took place in 2007 or later due to an inherent limitation of available information. The IRS only requires that 7 years of financial information be kept on file, therefore since this study was conducted in 2013, 7 years back is 2006. Therefore, to ensure that enough information was available to analyze adequately each case study, cases with collaboration efforts before 2007 were not used.
4. The researcher chose to use case studies where only two organizations participated in each individual strategic restructuring process. This is because of

the inherent difficulties and complications that come about when more than two organizations participate.

CHAPTER FOUR: DATA ANALYSIS AND RESULTS

The purpose of this research was to demonstrate that strategic restructuring is a positive management tool that creates sustainability for an organization. This research study used three different research methods to demonstrate that idea. The first research method was a quantitative analysis of several different financial ratios through a statistical test known as MANOVA. The second research method was a qualitative analysis of interviews that the researcher held with various third-party payers. These interviews were analyzed qualitatively for themes and patterns. The third research method was an archival analysis of several different case studies of organizations that have gone through a strategic restructuring process. These cases were analyzed to determine the presence of the five characteristics: open communication, strong executive collaboration, board support, common/compatible mission and vision, and trust.

Quantitative Analysis

The following is the first research question and related hypotheses:

1. Is strategic restructuring a successful tool for sustainability in the nonprofit sector?

H_0: Nonprofit organizations that implement strategic restructuring are as equally sustainable after the implementation of strategic restructuring as before strategic restructuring.

H_1: Nonprofit organizations that implement strategic restructuring are more sustainable after the implementation of strategic restructuring than before strategic restructuring.

To answer the first research question and to determine if the researcher should reject the null hypothesis, the researcher analyzed financial information before and after restructuring for selected nonprofit organizations. The organizations used for this analysis are the same organizations used to answer research question three (17 cases from 2007, 39 cases from 2008, and one case from 2010). They are the organizations from the case studies retrieved from the Nonprofit Collaboration Database. The researcher used the IRS form 990 from various years (2006-2011) to obtain the necessary financial information. The reason the study covers a period after 2006 is due to the limitations of the IRS, in that only IRS 990s 7 years old and newer are legally required to be available. Thus, to ensure availability of necessary information cases that took place in 2007 or later were analyzed. These IRS 990 forms are publically available documents through various means. The research used the website www.guidestar.org to retrieve all of the IRS 990s used in this research study.

Independent Variables

This study used two different IVs. The first IV was type, which refers to the type of strategic restructuring undergone. There are four different types: joint programming, administrative consolidation, parent subsidiary, and mergers. The type of strategic restructuring was stated in the case study by the organization; this was not a distinction made by the researcher. The total number of cases analyzed is 307, thus $N = 307$. A case is defined as a single year of financial information for a single organization. The four different types use the same definitions as mentioned earlier in Chapter Two. Table 2 displays the frequencies of each type of strategic restructuring in the sample.

Table 2

Frequency Table for the Different Types of Restructuring

Type of Strategic Restructuring	Frequency
Merger	96
Administrative Consolidation	33
Joint Programming	154
Parent Subsidiary	24
Total	307

The most common type of strategic restructuring analyzed is joint programming and the least common type analyzed is parent/subsidiary. To support these data, Appendix D lists all the organizations analyzed and the type of strategic restructuring that took place.

The second IV is state of restructuring, which describes at what point in time the researcher is analyzing the organizations participating in the strategic restructuring. The two different states are before the strategic restructuring and after the strategic restructuring. Table 3 displays the frequencies of the different states of strategic restructuring.

Table 3

Frequency Table for Different States of Strategic Restructuring

	Frequency
Before Restructuring	103
After Restructuring	204
Total	307

Upon reviewing Table 3, it is apparent that there are more cases of *after* strategic restructuring then *before* strategic restructuring. This is because there are 3 years of data for each organization participating in a strategic restructuring process, the year prior to the strategic restructuring process, the year immediately following the strategic restructuring process, and the most current year for which data are available, 2011. In each case study the organization stated the year of strategic restructuring; thus, for the strategic restructurings that took place in 2007, the data collected came from the 2006 IRS 990, the 2008 IRS 990 and the 2011 IRS 990. For cases that took place in 2008 the data collected came from 2007 IRS 990, 2009 IRS 990, and 2011 IRS 990. For the single case that took place in 2010, only 2 years of data were collected: 2009 and 2011. Because it was such a recent case of strategic restructuring, the year after the case, 2011, was also the most current data available. The reasoning behind obtaining 2 years after restructuring and only 1 year prior is that often times the effects of change are not immediate, as well as having 1 year that was all the same for all cases, which was the most recent year: 2011.

Dependent Variables

Fourteen different standardized accounting categories were used to compute the seven different financial ratios that create the dependent variables for research question one: current assets, current liabilities, total liabilities, total assets, fundraising expenses, total contributions, total revenues, total expenses, total net assets, restricted net assets, fixed assets, average monthly expenses, donor contributions, and program revenues. Appendix E provides the information to understand each of the accounting terms, the information collected, and how each category was calculated from the IRS Form 990. In addition, to understand this data, a table of descriptive statistics including range, minimum, maximum of each accounting category is included in Appendix E. This will allow the reader to understand the basis for the financial ratios, which are the dependent variables in this research study.

The seven financial ratios that comprise the seven dependent variables in this study include: the current ratio (DV_1), debt ratio (DV_2), fundraising efficiency ratio (DV_3), fiscal performance ratio (DV_4), savings ratio (DV_5), liquid funds indicator ratio (DV_6), and volatility ratio (DV_7). Table 1 in Chapter Three explains how these ratios are calculated using the 14 aforementioned accounting categories. To test the dependent variables the MANOVA statistical test was performed. In addition, the Multivariate Analysis of Covariates (MANCOVA) statistical test was also performed with the goal of partailing out influences from other variables that are not directly included in the system as an independent factor; nevertheless, they have a close relationship to dependent variables in the model. Because MANOVA and MANCOVA are parametric models, before subjecting the data to these tests, it is necessary to ensure that certain minimum requirements are met. The normality of the joint distribution of dependent variables is one such requirement. In a multivariate setting, testing for normality of a joint distribution is rather complex, as it requires normality to exist not only in each individual dependent variable, but also in the multidimensional distributions of all the variables. If normality is not present in the dependent variables, the variables will need to be transformed using proper techniques based on the type of issue present for each individual dependent variable. Initially, when analyzing the seven DVs, it was immediately apparent that none of the dependent variables was normally distributed (see Figure 3). According to Mertler and Vannatta (2005), “residual plot should create a rectangular shape with data concentrated in the center” (p. 57). When looking at Figure 3, it is evident that this is not the case. The data are not in the center but pushed up against the edge in each case due to the existence of outliers, skewness, and kurtosis present in distribution of variables, as seen in Table 4.

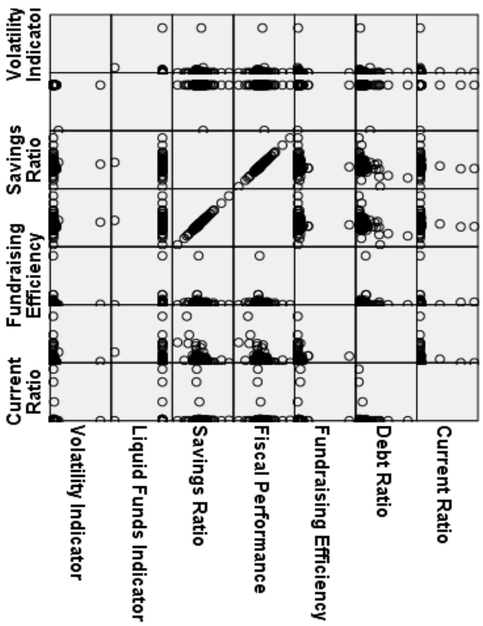

Figure 3. Scatterplot matrix to demonstrate lack of normality among the seven dependent variables.

Table 4

Descriptive Statistics for Dependent Variables

					Skewness		Kurtosis	
	N	Minimum	Maximum	Mean		Std. Error		Std. Error
Current Ratio	233	.008	2,966.857	36.344	10.025	.159	104.689	.318
Debt Ratio	258	.000	6.234	.415	4.483	.152	28.629	.302
Fundraising Efficiency	257	.000	4.693	.092	13.378	.152	199.245	.303
Fiscal Performance	263	.082	10.735	1.136	9.682	.150	121.023	.299
Savings Ratio	263	-.918	9.735	.136	9.682	.150	121.023	.299
Liquid Funds Indicator	263	-695,636.398	108.464	-3,423.550	-14.649	.150	223.363	.299
Volatility Indicator	210	.000	2,143.357	18.890	13.857	.168	197.226	.334

To start the process of testing for normality of the distributions, a stem and leaf chart for each variable was used to determine the outliers using SPSS v.21. The following sample observations were all considered outliers: current ratio of greater than

15.9; savings ratio of less than -0.37 and greater than 0.31; volatility ratio of greater than 14.3; debt ratio of greater than 1.43; liquid funds indicator of less than -12 and greater than 15; fiscal performance ratio of less than 0.63 and greater than 1.31; and fundraising efficiency of less than 0.31. These outliers were removed from the sample, which this helped improve the shape of the distribution for many of the dependent variables. Although appearing normal, the Savings Ratio, Liquid Funds Indicator, and Fiscal Performance ratio all appeared to have varying levels of leptokurtosis. Unfortunately, very little can be done, mathematically, to remove kurtosis. The remaining four ratios—current ratio, debt ratio, volatility ratio, and fundraising efficiency ratio—still had varying levels of positive skewness. Thus, these variables had to be transformed. According to Mertler and Vannatta (2005), in order to transform each variable appropriately, the amount of skewness needs to be evaluated. Moderate positive skewness can be fixed by taking the square root of the original value and substantial positive skewness can be fixed by taking the log of the original value. The volatility ratio had substantial positive skewness and both the debt ratio and current ratio had moderate positive skewness. Figure 4 displays the two-by-two distributions for the newly transformed dependent variables, demonstrating that the majority had a more or less normally bivariate distribution.

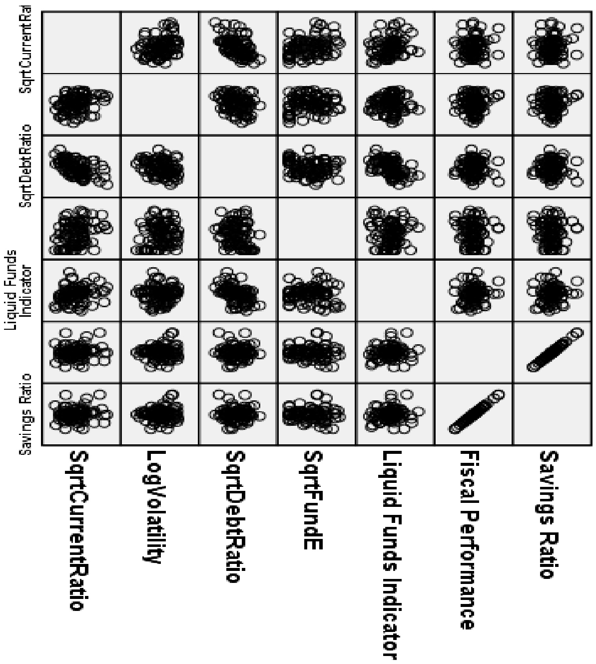

Figure 4. Scatterplot matrix to demonstrate normality among the transformed dependent variables.

However, there was still an interaction and lack of normality between Fiscal Performance and Savings Ratio, as seen in Figure 4. These two ratios were perfectly correlated; therefore, one of the ratios needed to be removed, as seen in Figure 5 and Figure 6.

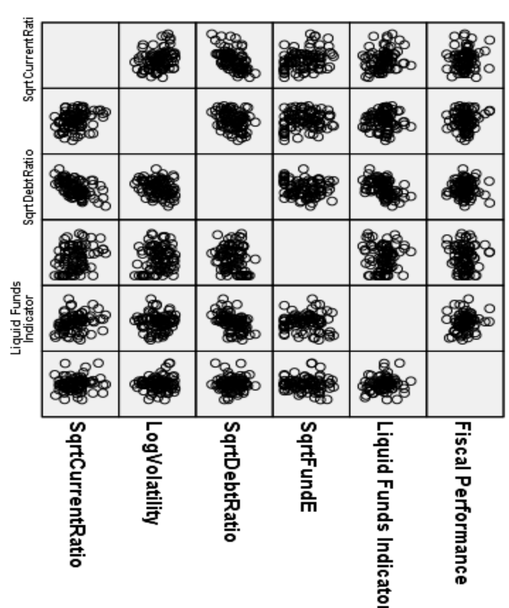

Figure 5. Scatterplot matrix with savings ratio removed.

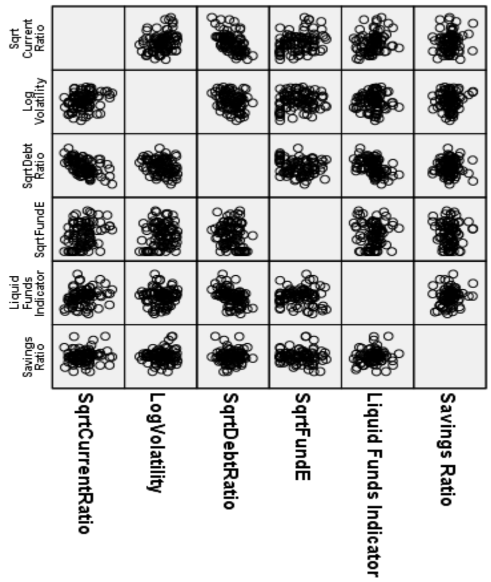

Figure 6. Scatterplot matrix with fiscal performance removed.

Both Savings Ratio and Fiscal Performance Ratio had leptokurtosis. It appears that this level of kurtosis caused the two ratios to interact in such a way that is not normal, thus, one of the ratios needed to be removed. To determine which ratio to remove first the formulas of each ratio needed to be analyzed. The savings ratio was calculated as revenue minus expenses divided by expenses. The fiscal performance ratio was calculated by dividing revenue by expenses. The calculation of these two ratios was similar, which could explain why they were perfectly correlated. The savings ratio seemed to provide more information about the sustainability of the organization. In non-technical language, the savings ratio tells a manager or third party payer how much money the organization gets to keep for every dollar of expense spent. This calculation is the numerator of the savings ratio. Thus, the final dependent variables—square root current ratio, log of volatility ratio, square root debt ratio, square root of the fundraising efficiency ratio, liquid funds indicator, and savings ratio as pictured in Figure 6—were chosen as the six ratios used to analyze the data and test the research hypothesis using the MANCOVA statistical test

MANOVA/MANCOVA Analysis

First, a one-way MANOVA was conducted to determine the effect of the state of restructuring (before and after the restructuring) on square root current ratio, log of volatility ratio, square root debt ratio, square root of the fundraising efficiency ratio, liquid funds indicator, and savings ratio. No significant effect was found (Lambda (6,86) = .937, $p > .05$) as seen in Table 5.

Table 5

One-Way MANOVA Test Results

	Effect	Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Intercept	Pillai's Trace	.972	506.277	6.000	86.000	.000	.972
	Wilks' Lambda	.028	506.277	6.000	86.000	.000	.972
	Hotelling's Trace	35.322	506.277	6.000	86.000	.000	.972
	Roy's Largest Root	35.322	506.277	6.000	86.000	.000	.972
StateC2	Pillai's Trace	.063	.965	6.000	86.000	.454	.063
	Wilks' Lambda	.937	.965	6.000	86.000	.454	.063
	Hotelling's Trace	.067	.965	6.000	86.000	.454	.063
	Roy's Largest Root	.067	.965	6.000	86.000	.454	.063

Next, a two-way MANOVA was conducted introducing the type of strategic restructuring to the model. This was done to determine the effect of the state of restructuring (before and after the restructuring) and type of restructuring on square root current ratio, log of volatility ratio, square root debt ratio, square root of the fundraising efficiency ratio, liquid funds indicator, and savings ratio. No significance was found with state of restructuring (Lambda (6,80) = .932, $p > .05$), as seen in Table 6.

Table 6

Two-Way MANOVA Test Results

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.977	572.228[b]	6.000	80.000	.000
	Wilks' Lambda	.023	572.228[b]	6.000	80.000	.000
	Hotelling's Trace	42.917	572.228[b]	6.000	80.000	.000
	Roy's Largest Root	42.917	572.228[b]	6.000	80.000	.000
StateC2	Pillai's Trace	.068	.970[b]	6.000	80.000	.451
	Wilks' Lambda	.932	.970[b]	6.000	80.000	.451
	Hotelling's Trace	.073	.970[b]	6.000	80.000	.451
	Roy's Largest Root	.073	.970[b]	6.000	80.000	.451
Type	Pillai's Trace	.483	2.625	18.000	246.000	.000
	Wilks' Lambda	.583	2.648	18.000	226.759	.000
	Hotelling's Trace	.606	2.650	18.000	236.000	.000
	Roy's Largest Root	.358	4.888[c]	6.000	82.000	.000
StateC2 * Type	Pillai's Trace	.109	.517	18.000	246.000	.949
	Wilks' Lambda	.894	.508	18.000	226.759	.953
	Hotelling's Trace	.114	.499	18.000	236.000	.957
	Roy's Largest Root	.061	.834[c]	6.000	82.000	.547

However, significance was found with type of restructuring (Lambda (18, 226.759) = .583, $p = .000$. The hypothesis does not address the impact of type of strategic restructuring; therefore, this finding, while significant, does not directly pertain to the research hypothesis proposed. This research finding will be discussed further in Chapter Five.

Because the MANOVA did not have significant findings, the MANCOVA statistical test was then implemented to see if significance could be achieved if a covariant was present. This process is recommended on grounds that inclusion of strong covariates could potentially reduce the error variance, therefore increasing the sensitivity of the test, especially when the sample is based on intact groups (Mertler & Vannatta, 2005). It was determined that any one of the 14 different accounting categories that made up the dependent variables could be used as a possible covariant. Due to the sample size including organizations of different sizes, which could impact the sensitivity of the test, one or more covariates (current assets, total revenue, total expenses, restricted net assets, average expenses, current liabilities, total net assets, fixed assets, donor revenue, and program revenue) could be a strong covariate to include in the system. By changing from a MANOVA test to a MANCOVA test, additional testing was required. It was necessary to determine which covariate is most suitable: that is to say, which covariate was strongly correlated to the DV but has no correlation with the IV. This is required so that the covariate does not interfere with or exhaust the explanatory power of the IVs. Initially, fixed assets was identified as a possible covariate that would be a good filter for organizations of varying size. Traditionally, organizations of larger size often have more fixed assets. However, when fixed assets was tested for correlation with IV a correlation was found and thus fixed assets could not be used as a covariate. Another possible filter for organizations of great range in size is restricted net assets. Again, using the same thought process as fixed assets, larger organizations are more likely to have restricted assets, as opposed to smaller organizations who are unable to restrict assets. Restricted net assets was considered suitable as it did strongly correlate with the DV but had no correlation with the IV.

A MANCOVA test was conducted to determine the effect of the state of restructuring (before and after the restructuring) and type of restructuring on the six different dependent variables: square root current ratio, log of volatility ratio, square root debt ratio, square root of the fundraising efficiency ratio, liquid funds indicator, and savings ratio, while controlling for restricted net assets, as seen in Table 7.

Table 7

MANCOVA Results with Restricted Net Assets Covariate

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.953	255.462	6.000	75.000	.000
	Wilks' Lambda	.047	255.462	6.000	75.000	.000
	Hotelling's Trace	20.437	255.462	6.000	75.000	.000
	Roy's Largest Root	20.437	255.462	6.000	75.000	.000
Type	Pillai's Trace	.470	2.386	18.000	231.000	.002
	Wilks' Lambda	.580	2.508	18.000	212.617	.001
	Hotelling's Trace	.639	2.614	18.000	221.000	.001
	Roy's Largest Root	.473	6.065	6.000	77.000	.000
StateC2	Pillai's Trace	.089	1.224	6.000	75.000	.303
	Wilks' Lambda	.911	1.224	6.000	75.000	.303
	Hotelling's Trace	.098	1.224	6.000	75.000	.303
	Roy's Largest Root	.098	1.224	6.000	75.000	.303
RestrictedNetAssets	Pillai's Trace	.144	2.107	6.000	75.000	.062
	Wilks' Lambda	.856	2.107	6.000	75.000	.062
	Hotelling's Trace	.169	2.107	6.000	75.000	.062
	Roy's Largest Root	.169	2.107	6.000	75.000	.062
StateC2 * RestrictedNetAssets	Pillai's Trace	.053	.699	6.000	75.000	.651
	Wilks' Lambda	.947	.699	6.000	75.000	.651
	Hotelling's Trace	.056	.699	6.000	75.000	.651
	Roy's Largest Root	.056	.699	6.000	75.000	.651
Type * RestrictedNetAssets	Pillai's Trace	.280	1.321	18.000	231.000	.176
	Wilks' Lambda	.741	1.318	18.000	212.617	.179
	Hotelling's Trace	.320	1.312	18.000	221.000	.182
	Roy's Largest Root	.201	2.578	6.000	77.000	.025
Type * StateC2 * RestrictedNetAssets	Pillai's Trace	.121	.541	18.000	231.000	.936
	Wilks' Lambda	.883	.533	18.000	212.617	.940
	Hotelling's Trace	.129	.526	18.000	221.000	.944
	Roy's Largest Root	.079	1.009	6.000	77.000	.426

Table 6 shows the state of restructuring was never significantly influenced by the restricted net assets covariate. Therefore, because there were no significant findings for the state of restructuring in either the MANOVA test or the MANCOVA test, it is necessary to fail to reject the null hypothesis. Nonprofit organizations that implement strategic restructuring are equally sustainable after the implementation of strategic restructuring as before strategic restructuring.

Third-Party Payer Interview Analysis

To answer the second research question regarding third-party payers' perceptions of strategic restructuring, the researcher interviewed 10 individuals who were senior executives of third-party payer organizations such as a foundation or government granting entity. The interview questions that were asked of each of the participants can be found in Appendix B. All of the individuals interviewed: were the Executive Director, sat on the Board of Directors, or had another senior executive management position in their organization. All of the individuals worked for organizations in the Western United States. The giving amounts of the organizations the interviewees represented ranged from $500,000 to $400,000,000, annually. The financial size of an organization did not influence the executives' perspective on strategic restructuring. The following themes were found among all of the interviewees.

Funders' Support Strategic Restructuring

The primary finding from the funders' interviews is that funders support strategic restructuring. Funders believe there are multiple ways to support strategic restructuring. The primary way to support strategic restructuring is by providing financial support to organizations going through the strategic restructuring process. Additionally, funders believe that they can support strategic restructuring by providing educational materials, networking nonprofit leaders to consultants, hosting seminars or workshops, and sharing information with nonprofit organization leaders who are interested in strategic restructuring Nonetheless, funders support strategic restructuring and "encourage an honest dialogue [between] a funder and a nonprofit organization," according to interviewee BA1.

Cash is King

Financial support was repeatedly mentioned throughout all the interviews as the best way a funder can support strategic restructuring. As interviewee JO6 stated,

> Our role as a funder [is] to support and hopefully strengthen the capacity and sustainability of the nonprofits. It costs a lot of money [to go through the strategic restructuring process]. We recognize that and I think we need to support them in doing that [by providing financial support].

All interviewees agreed with this philosophy, which was demonstrated through responses to interview question 9. When asked if they believed third-party payers should fund organizations that go beyond collaboration and engage in strategic restructuring, all 10 interviewees responded that they believed that their organization should provide financial support. When asked what is the best way to encourage and support restructuring, the common answer was to provide financial assistance or funds to the restructuring organization(s), and to assist them with the costs of the process and implementation. Interviewee GE8 stated, "Sometimes the best thing that you can do is just give them the money and get out of the way. That is often times what the funder can do best." Interviewee BO4 supported this by stating, "I really do believe $1 in general support is worth $5 in project support because it gives leaders their heads. It enables them to react to changes." It seems sufficient to state that funders believe that the best way to encourage the strategic restructuring process is by providing organizations with financial means and assistance to help them with the expense involved with strategic restructuring.

The Denotation of Strategic Restructuring

Every word has both a denotation and a connotation. When analyzing the denotation of strategic restructuring among interviewees the responses were varied. When interviewees were asked if they were familiar with the term strategic restructuring, question 6, the answered were mixed; about 50% were familiar with the term, and many had said they had never heard of it. When asked question 7, what strategic restructuring meant to them, the definition each interviewee gave was very scattered. Some explained more of a literal term; others were very familiar with LaPiana's definition of the term, as it is used in this research. These answers would indicate that there is a lack of familiarity with the term of strategic restructuring, which may indicate why this strategy is not being used in the nonprofit sector as often as it is used in the for profit sector.

The Connotation of Strategic Restructuring

When analyzing the connotation of strategic restructuring, it became very apparent that the funders believe there are two perspectives when studying the connotation of strategic restructuring: their own perspective and the nonprofit organizations' perspective. According to all of the interviewees when answering question 8, funders see strategic restructuring as a positive connotation. WE7 stated it best;

> I think it is totally positive. There are lots of inefficiencies and redundancies in the sector, and organizations that are frankly too small to function, also organizations that have very strong program people running the organization do not have the larger picture of business practices.

Many funders saw strategic restructuring as a positive investment in an organization

However, most of the interviewees were quick to follow up with the idea that nonprofit executives perceive *strategic restructuring* has an overall negative connotation. Interviewee BA1 stated, "There is this [negative] stigma associated with the idea of [strategic restructuring]." Interviewee WE7 suggested, "People have been afraid that it would look like failure if they were considering new modes of operation." Interviewee LO2 supported this by stating, "Unfortunately, it has this sort of negative connotation and [nonprofit executives] are afraid to explore it." Interviewee XI10 further explained why nonprofit staff and executives perceive strategic restructuring as negative, "I think with anything like this when you think of mergers you think of people losing their jobs." Interviewee PA3 believed the reason so many nonprofit leaders associate strategic restructuring with negative feelings is because of the "fear of not understanding what strategic restructuring would really do for their organization."

The following illustrates how real the negative stigma is around the terminology *strategic restructuring*. In Los Angeles County, there is an active initiative among several foundations that have pooled funds to create what they labeled the *Nonprofit Sustainability Initiative.* Interviewee JO6 explained that the sole purpose of this initiative is to provide funds and assistance to organizations interested in participating in strategic restructuring. JO6 stated that the group of funders "purposely provided that name [Nonprofit Sustainability Initiative] because we knew the perception externally was still, for the most part, associated with failure and negativity. We did not want to scare people away." Therefore, to make an initiative that is actively promoting, believes in, and funds heavily organizations going through the strategic restructuring process seem more attractive, they felt they could not use the term strategic restructuring, but rather a more attractive term, *sustainability*, which is exactly what strategic restructuring strives to achieve.

The evidence suggests that foundation executives believe that although they support strategic restricting and think it is a positive management strategy, nonprofit leaders are fearful and unsure of this strategic management tool. The funders' perception is that nonprofit leaders do not engage in strategic restructuring because they believe that funders will perceive it as a sign of failure.

Lack of Educational Material

One method that could improve the negative connotation held by nonprofit leaders is to educate them on the positive affect strategic restructuring can have on an organization, as suggested by different interviewees. However, when asked interview question 12, does your organization provide any educational materials regarding strategic restructuring, all interviewees but one replied no. As Interviewee TO9 stated, "I would like to say we do [offer educational materials on strategic restructuring] but we don't. I mean we know it is important but we don't." When asked why they did not provide educational materials on the topic many funders felt it was outside their scope. Interviewee PA3 explained it thusly: "We do not [provide educational materials] and the reason we do not is because we do not have the human capacity to do that…it is the organizations responsibility to figure out what they need." Interviewee GE8 explained that they did not distribute educational materials because they did not feel there was much good material available about strategic restructuring.

However, when asked if they felt it was important to educate organizational leaders on the topic of strategic restructuring all stated yes very adamantly. As

Interviewee BA1 stated, "we do not [administer any educational materials]. I think it would be helpful." Interviewee GE8 supported this by stating, "Certainly, yes if we found something that we thought was really a useful tool, we would certainly supply it." Several interviews felt that although they did not have specific educational materials they did feel responsible to direct organization leaders to individuals who were experts in the area of strategic restructuring. Although the vast majority of funders did not distribute or have educational materials available for nonprofit leaders about strategic restructuring, they all felt that educational materials are good and more should be available and shared.

The Role of the Consultant

One specific way to assist educating nonprofit leaders is to encourage the use of a consultant to guide the organization through the strategic restructuring process. Funders believe that it is not only helpful but also necessary. As Interviewee BA1 stated, "I think you need a third party… an expert. People think they can handle it on their own. There are so many decisions from board decisions to operational decisions." Interviewee BO4 supported this sentiment by stating, "hire consultants to help [the organization] think it through, give them a little room to move, room to think." Interviewee PA3 believed that a necessary part of the strategic restructuring plan is to have an outside consultant, someone to come in, facilitate the necessary conversations, and help with the planning. Interviewee WE7 supported this idea this by stating, "It is not very likely that people can get this accomplished without an outside party. Somebody has to manage the process, who is not all invested in it." Interviewee JO6 explained that by having a consultant available to work through the process can also cut down on the time it takes to have the many long and involved conversations necessary to build the trust and understanding for strategic restructuring to be successful. Interviewee LO2 discussed actually using a consultant throughout a strategic restructuring process in which she was a participant. It is important to note that in each instance where an interviewee suggested using a consultant in the strategic restructuring process, he/she also said he/she would fund the cost of a consultant for the nonprofit organization.

Strategic Restructuring Should Be Mission Driven Not Funder Driven

Throughout the interviewing process, there was a consensus among all of the funders. When asked why should an organization go through the strategic restructuring process, funders stated their belief that organizations should engage in strategic restructuring because it will further the organization's mission. As Interviewee WE7 explained, overall people want to do a better job; at the end of the day, mission driven organizations can see that the way to deliver services better is using strategic restructuring. Interviewee LO2's last statement of the interview explained this idea perfectly, "You have to just bring [nonprofit leaders/executives] back to the real roots of what they are trying to affect, what change they are trying to do, what is their [organization's] mission." Interviewee XI10 agreed by explaining that in light of the sector's current situation with the current state of the economy, "there is no better time than to really look internally at nonprofit organizations and figure out better way to serve [the community] and to really do the mission that they started with." Interviewee JO6 explained that in the end the ultimate goal for any organization is to sustain their organization through their mission, strategic restructuring is one vehicle that can assist in that overall goal. Thus, it seems there is a definite perception among funders that the motivation to engage and pursue strategic restructuring should come from the organization's desire to further the organizational mission.

Funders all agreed strategic restructuring should not be funder-driven: that is to say, funders should not be the driving force behind the why or how of a strategic restructuring process. As Interviewee BA1 stated, "It cannot be driven by us." Another interviewee, GE8, suggested that if funders suggest strategic restructuring it becomes a directive. Yet another interviewee, PA3 took the idea of funders' involvement with strategic restructuring even further by stating that it is not the funders' job to run or direct a strategic restructuring process. Another interviewee, PE5, stated that funders are not responsible for telling organizational leaders what to do, and suggested that at most a funder can remind the organization, but not tell the nonprofit leaders how to run their organization. Interviewee BO4 supported this assertion by stating, "I do not think that in general the funders should impose the restructuring." It seems fair to state that funders believe they should not drive the strategic restructuring process.

As part of the interview process, interviewees were asked to discuss any strategic restructuring events in which they had participated either as a funder or in previous positions with a nonprofit organization. Many of the interviewees (i.e., GE8, LO2, PA3, PE5), though they came from different foundations, were a part of one particular joint programming strategic restructuring process. All of the interviewees stated the primary reason it was not successful was that it was too funder driven. This real life example provides evidence that if strategic restructuring is initiated by the funders and then driven by the funders it has less chance of being successful than if the process is initiated by the nonprofit organizations themselves.

Strategic Restructuring Does Not Impact Funding Levels

The research and literature review for this study yielded many expert statements that one of the primary reasons nonprofit leaders do not utilize strategic restructuring is due to a belief that if two organizations merge and become one, their overall funding from funders would be reduced. The scenario is described in question 10 of the interview. When asked question 10, in every instance, the funders stated the level of funding the organization(s) had received in previous years would have no impact on their new request. As JO6 stated, "we look at every organization individually." JO6 continued by stating that the fact that there used to be two organizations really does not influence the decision about funding the new single organization. Interviewee WE7 stated, "Every request is a fresh entity." As Interviewee PA3 stated, "it is all about the strategic plan [and] supporting the activities that are going to support, facilitate and implement that strategic plan." Interviewee XI10 corroborated this information by stating, "I would begin that conversation starting from scratch and really build upon the current nonprofit, what is does it look like, what are their current needs." Thus, the notion that an organization is going through or recently went through strategic restructuring does not influence how much money a funder will provide; it is about the overall strategic plan. A funder must be able to see the value and the added benefit the funding will make to that overall mission and strategic plan in order to donate funds for this purpose.

Case Study Analysis

To answer the third research question, regarding which factors contribute to a successful strategic restructuring partnership, 57 case studies of strategic restructuring from the Collaboration Database were analyzed. The studies included cases from all different areas of the nonprofit sector, including human services, healthcare, education, housing, arts and culture, mental health, community development, environment, animal protection and welfare, and volunteerism. In addition, financially speaking, the organizations were of all sizes ranging from having less than $25,000 in annual income to as large as over a billion dollars in annual income. The case studies involved one of four different types of strategic restructurings: joint programing, administrative consolidation, parent/subsidiary, and complete merger.

Writing the literature review for this research revealed five different factors that need to be present during the process of strategic restructuring in order for the outcome to be deemed successful: open communication, strong executive collaboration, board support, common/compatible mission and vision, and trust. All 57 cases were evaluated and analyzed for the five different characteristics. This was done by reading each case and highlighting key phrases that proved as indicators of the five different characteristics. Third party validators were also used to ensure that the findings of the qualitative research were valid. The following are the outcomes of this qualitative archival analysis.

How is Successful Strategic Restructuring Defined?

All of the participating organization presented in these case studies believed their organization had participated in a successful strategic restructuring process. The organization stakeholders all believed their restructuring event was significantly successful that it was worthy of receiving a grant for completing this difficult process, which led to a successful outcome. What makes a strategic restructuring successful? Success looked different for each organization. However, ultimately the overall end goal for all organizations was the same. According to all the organizations who participated in these case studies, they believed their case of strategic restructuring was successful because after the changes of the strategic restructuring were implemented their organization achieved its mission and vision more effectively and efficiently than prior to the strategic restructuring.

Formula for Successful Strategic Restructuring

Through this qualitative analysis of case studies and the findings from these cases, it seems there is a qualitative formula that needs to take place in order for the outcome to be successful. The first step in the formula is organizations looking to work together and engage in strategic restructuring need to have a common or compatible mission. This factor allows organizations to find one another to begin considering engaging in strategic restructuring. Once this is established, then there needs to be open communication between the decision-making executives, which creates executive collaboration. Then, if there is executive collaboration where the leadership is creating trust and encouraging open communication, the executives work to spread the open communication down the management chain. This creates a ripple effect of additional open communication down throughout the entire organization. This constant open communication throughout the process at all different levels then ultimately creates a deep level of trust. If trust is achieved the strategic restructuring process will be successful. If the process is successful the outcome of the process, whatever it looks like, is also successful. In its most basic form, the strategic restructuring formula makes perfect sense (see Figure 7). This is the primary finding of the case study analysis.

Figure 7. Strategic restructuring formula.

Sixth Characteristic-Third Party Reinforcement

Through highlighting instances of executive collaboration, it seemed that another type of collaboration was frequently present. In the case studies, discussions often took place between executives with additional third parties. These instances were often indications of executive collaboration. However, after taking a closer look, the researcher realized that this collaboration was not with the two organizations actually partaking in the restructuring but a completely separate third party who stepped in to contribute and collaborate with the executives during the restructuring process to assist and make the restructuring successful. In some cases, the third party stayed involved with the organizations after the restructuring to ensure the newly created organization or program was successful. This pattern became apparent in many of the cases, which led to the creation of a sixth factor, an additional theme that seemed to be present. Because this was appearing repeatedly and originally mistaken for executive collaboration, the researcher felt that it was a separate and different theme, which became known as third party reinforcement.

An example of third party reinforcement being present in a case is in the instance of the Youth Talk case in the Nonprofit Collaboration Database. Two organizations worked together to create a program called Youth Talk. The joint programming came about when one organization whose mission was to "promote communication and understanding between the United States and the Arab world" and the other organization had a mission of fostering dialogue and understanding amongst the world's youth (Youth Talk, 2013). Together these two organizations wanted to promote communication between the youth of the United States and the Arab world. The organizations needed the use of software that could foster this communication, allowing for video conferencing and live video chats between classrooms of students on opposite sides of the world. The following statement demonstrates the use of an independent third party who contributed to the success of Youth Talk's strategic restructuring; "Further, software licensing is accounted for by a generous grant Global Nomads Group received from Polycom Inc. and then can be offered at no cost to the schools" (Youth Talk, 2013, para. 9). In this case, Global Nomads Group is one of the primary participating organizations in the strategic restructuring and Polycom, Inc. is the third party who is a separate for-profit entity that ultimately has nothing to do with this strategic restructuring, but because of their participation significantly contributed to the success of the strategic restructuring.

Another example of third party reinforcement takes place in the case of School Based Dental Care Partnership. In this case, Children's Dental Services (CDS) was a nonprofit organization collaborating with Duluth Public schools in Duluth, Minnesota to offer dental cleanings and services to children who might otherwise not have access to dental hygiene and healthcare (School Based Dental Care Partnership-Children's Dental Services and Duluth Public Schools, 2013). The following statement was originally thought to indicate executive collaboration but is really an indicator of third party reinforcement; "CDS also has the support of Delta Dental of Minnesota, local United Ways, and the Smiles across Minnesota Coalition to help make this partnership possible" (para. 1). Delta Dental, United Way, and Smiles across Minnesota donated services that, if not provided, would not have allowed the joint programming between CDS and the Duluth Public School System to be successful. This finding specifically demonstrates that other third party organizations that had no intentions of any sort of strategic restructuring outcome contributed to ensure the collaboration's success.

Yet another example of where a third party reinforced the strategic restructuring process and contributed to the success of the restructuring occurred when "a national fundraising software company was engaged to consolidate the two development databases" (Family & Children First/Family Place, 2013, para. 27). This process took place in a complete merger of two organizations. The software company assisted in combining two donor databases into one database, which was very efficient as "there was a 2-3% overlap of donors" (para. 27).

In addition to all of the aforementioned examples, the following are additional examples of third party reinforcement.

- "With intention and wisdom, Ms. Jones, and Organizational Consultant, Cyndi Sparks, designed Emerge's management structure" (Emerge! Center Against Domestic Abuse, 2013, para. 4).
- "A public relations firm was hired to engage donors through surveys and focus groups, branding the new organization with a consistent message" (Emerge! Center Against Domestic Abuse, 2013, para.13).
- "After Independent CPA and attorney reviews audits, financials, human resource policies, and legal documents both boards sat back down at the table

and tackled a few of the issues that were overturned" (Boys & Girls Clubs of West-Central Wisconsin, 2013, para. 10).

- "The agencies hired an outside facilitator to promote open, balance discussions, but used staff and volunteers to analyze each topic" (Merger of Tubman Family Alliance and Chrysalis a Center for Women, 2013, para. 2).
- "Networking with established Spinal Cord Injury Associations throughout the country was instrumental as we created and executed an entire new delivery system, all while staying true to the New Hampshire National Spinal Cord Injury Association" (GSIL/NHNSCIA Merger, 2013, para. 7)

In each of the above cases, a third party was vital in assisting the progress of the strategic restructuring. Without these third parties' involvement, these cases of strategic restructuring may not have ended successfully. However, the strategic restructuring formula does not specifically state anything about third party involvement; the third party acts as a facilitator to help ensure that the outcome of the strategic restructuring process is successful.

Open Communication and Executive Collaboration Overlap

Another pattern that was present was the common overlap of open communication and executive collaboration. It seems there are two points in the strategic restructuring process where open communication is vital and necessary for the process of strategic restructuring to be successful. Often the most blatant statements of open communication came as a statement of management working with the staff and operations teams to make the day-to-day work and the delivery of the program or services that resulted from strategic restructuring. For example, "administrators and managers met daily with individuals and joint general staff meetings were held often" (Threshold, 2013, para. 3). However, before this type of open communication can be present there must be open communication during the executive collaboration process. It was evident that all cases presented executive collaboration; however, repeatedly during the analysis process the researcher encountered the challenge of whether a statement should be considered an example of executive collaboration or open communication. An example of open communication taking place at the point of executive collaboration can be seen in the following case of complete merger of two organizations. "Communication between National Church Residence's executive staff and Heritage Day Health Center's administrative team has been key to the success of the merger and the management arrangement" (National Church Residences Merges with Heritage Day Health Centers, 2013, para. 19). If the executives who are making the critical decisions around the strategic restructuring process are not communicating with one another openly the entire strategic restructuring process will fail. Executives seem to understand this, which is why the research revealed several examples of open communication taking place while executive collaboration was present. As seen in the Boys & Girls Clubs of West-Central Wisconsin (2013) case, "the Executive Director worked hard to identify problems and keep each board informed" (para. 9). In the Carson Valley Children's Aide (2013) case, "the three members of the Senior Leadership Team meet bi-weekly, the 20 members of the Leadership Team meet monthly and the 60 members of the Management Team meet quarterly" (para. 3). Yet another example of open communication during executive collaboration was "at the board level, an ad hoc committee of representative from both organizations' boards of directors was created, meeting every other month" (YOSA

Music Learning Center, 2013, para. 9). To discern whether an event was evidence of executive collaboration or open communication, it was decided that if the communication was taking place between executives it was an indication of executive collaboration; however, if the open communication was with staff and lower levels of management it was deemed open communication. Because this was a reoccurring pattern, it became a definite finding of the case study analysis. As stated in one case, "open communication throughout the process…helped to overcome any misunderstandings that may arise" (Child Survivors of Domestic Violence Trauma Reduction Project, 2013, para. 2), this supports the idea that open communication must be present throughout the entire strategic restructuring process.

Open Communication Leads to Trust

A pattern that became highly apparent during the analysis of the cases is that the researcher often encountered statements indicating that open communication was present, following which would be a statement about how the open communication had created or allowed trust to be present. At first, this seemed coincidental, but after reviewing all of the cases, through third party verification, it was deemed no coincidence at all. Open communication leading to trust is one of the most prevalent and core findings of this case study analysis. The people in control of the change in the instances of strategic restructuring are often the senior management and board of directors. An excellent example of open communication leading to trust is "Communication was open and direct which led to a high level of trust" (Family & Children First/Family Place, 2013, para. 7). Another example of open communication leading to trust is the statement "the collaboration process has been overall smooth because of the open lines of communication and common respect" (Camp Erin-Los Angeles, 2013, para. 25). Yet another example was, "the collaboration's management structure, has also allowed for sharing of vital data and patient information across systems, which is typically unheard of between [medical] organizations" (Community Asthma Network, 2013, para. 4). This instance comes from a case where two different medical centers openly shared patient information to ease the process necessary for the collaboration to be successful. A significant level of trust must be present between the two organizations to allow for this level of open sharing, in the medical field. Additionally, all of the following are also examples of open communication leading to trust:

- "Meetings were held at Athens-Limestone to ensure that Huntsville Hospital board members and staff were on-site to foster face-to-face relationships, which cultivated and trust and helped promote the mutual benefit of the new collaboration" (Huntsville Hospital/Athens-Limestone Hospital Agreement, 2013, para. 7).
- "The Collaboration partners would meet, express their perspectives, and then work through the issue until they arrived at a mutually acceptable compromise…it only worked well because both organizations had built up mutual trust over time" (Glen Oaks corner, 2013, para. 30).
- "Communication strategies …were key components to building a trusting partnership" (Equal Access to Safety Initiative of Hampden County, 2013, para. 5).
- "All [challenges] were resolved through communication, mutual respect, and the deeply held conviction by all in the purpose of our collaboration"

(National Church Residences Merges with Heritage Day Health Centers, 2013, para. 20).

It is also important to note that each of these examples comes from vastly different types of strategic restructurings, including joint programming, administrative consolidation, and a complete merger. The types of organizations from which examples come are all very different as well. It is important to state this because it seems that it does not depend on what type of restructuring an organization is going through or the focus of the nonprofit. In addition, the size of the organizations participating in the strategic restructuring does not matter. Open communication leading to trust is a theme in all successful strategic restructuring events.

Results Conclusion

In conclusion, although this research failed to show conclusive evidence on the effectiveness of structural reorganization in terms of improvement in financial ratios, there was a definite perception among funders regarding the strategic restructuring process for nonprofit organizations. The case studies also provided excellent evidence regarding what factors contribute to a successful strategic restructuring partnership. Funders do support strategic restructuring and want organizations to engage in this management activity if the nonprofit organization feels it will further their mission, making them a more efficient and effective organization. The case study analysis defined six necessary characteristics, which are defined as the strategic restructuring formula. In addition, this study yielded statistically interesting results that are closely related to the null hypothesis, which will be discussed in Chapter Five.

CHAPTER FIVE: DISCUSSION, CONCLUSION, RECOMMENDATIONS

The highlights of this research study's findings are as follows. Nonprofit organizations that implement strategic restructuring are as equally sustainable after the implementation of strategic restructuring as before strategic restructuring in terms of their key financial ratios and metrics. However, there is a definite positive perception among funders regarding the strategic restructuring process and the use of this management sustainability tool for nonprofit organizations. Additionally, the case studies provided excellent evidence for what factors contribute to a successful strategic restructuring partnership. Funders do support strategic restructuring and want organizations to engage in this management activity, if the nonprofit organization feels it will further their mission, making them a more efficient and effective organization. The case study analysis defined six necessary characteristics—compatible mission, collaboration, open communication, trust, consultants, and board support—that led to the creation of the strategic restructuring formula. For reference purposes, the following research questions were analyzed in this study.

1. Is strategic restructuring a successful tool for sustainability in the nonprofit sector?

H_0: Nonprofit organizations that implement strategic restructuring are as equally sustainable after the implementation of strategic restructuring as before strategic restructuring.

H_1: Nonprofit organizations that implement strategic restructuring are more sustainable after the implementation of strategic restructuring than before strategic restructuring.

2. What are the perceptions of the funder/donor of the strategic restructuring process for a nonprofit organization?

3. What factors contribute to a successful strategic restructuring partnership?

Summary of Study

Several major findings were yielded from the data outlined in Chapter Four. The quantitative research primary finding is failing to reject the null hypothesis. However, a model for how to quantitatively analyze organizations that have been through strategic restructuring was developed. This chapter will discuss both of these primary findings within the quantitative research.

Providing financial assistance is the primary method funders use to demonstrate support for organizations going through strategic restructuring. Funders perceive strategic restructuring to have a positive connotation. Funders provide very little education on strategic restructuring to nonprofit leaders but do believe education on this topic is important. Funders believe that a consultant is very helpful and necessary for strategic restructuring to be successful. Moreover, funders believe that all strategic restructuring events should be mission driven, not funder driven. Lastly, strategic restructuring does not influence funding levels.

The qualitative analysis of case study examination had several major findings. The primary finding is the pattern that developed through analyzing 57 case studies, which resulted in the formula for strategic restructuring. In addition, the case study analysis provided significant evidence that the use of a consultant or another third party does facilitate a successful outcome of the strategic restructuring process. Lastly, building trust among management and staff between organizations is the secret to a successful outcome of the strategic restructuring process.

Model for Analyzing Organizational Sustainability

In the quantitative research, based on the original research question, *is strategic restructuring a successful tool for sustainability in the nonprofit sector*, the researcher had to accept the null hypothesis, which stated that nonprofit organizations that implement strategic restructuring are equally sustainable after the implementation of strategic restructuring as before strategic restructuring. In other words, strategic restructuring does not help sustainability, according to this research study.

The inability of this study to show evidence in support of sustainability in the wake of an organizational restructuring could be attributed to several factors, which will be discussed in the next few paragraphs. However, a major contribution of this research was the creation of a quantitative model to analyze financial impact on organizations that have gone through a significant change, i.e. strategic restructuring. This statistical model is robust, enabling it to be repeated for various conditions and population samples. In addition, this model is the first of its kind; this may prove beneficial to future researchers.

Strategic Restructuring Formula

In the qualitative research, the most significant finding was the discovery of the strategic restructuring formula. The formula states that organizations must first start with a compatible mission, then there must be collaboration; usually this exists first among board members or executive management of the organizations, next organizational leaders must openly communicate with one another. This idea of collaboration and open communication is repeated through each level of management and spreads throughout the entire organization, ultimately, creating a level of trust between all organizations involved. If leaders and consultants follow this formula, the outcome of the strategic restructuring process will be successful. This formula provides a guide for nonprofit executives, nonprofit consultants, and other personnel going through the strategic restructuring process. The formula may seems basic and founded on common sense; however, if it were so easy, the process of strategic restructuring would happen regularly without trouble.

Trust

It has been suggested that full, open communication may not build trust but rather have a negative impact on the morale of employees as they may suspect layoffs or other dramatic changes that negatively affect them. Repeatedly in both the case study analysis and the interviews with funders, the idea of open communication leading to trust was found to be a key and primary element to strategic restructuring being successful and did not create negative morale. However, this process was due to organizational leadership building trust over time. This trust was created through gradual open communication with each level of management, not a blatant organization-wide release of information.

In the case studies, trust was achieved in small steps, over time, using the top down approach. First, trust was built between executives and boards of directors during initial discussions. During their interviews, funders stated that full disclosure between executives and board of directors was an essential initial step in the strategic restructuring process. Then, once a decision at the executive level was made to move forward with the strategic restructuring process, open communication with full disclosure needed to be present between executives and line managers. Once executives had gained the trust of the line managers it was the responsibility of the managers to disburse the information about the strategic restructuring to the staff. In each case, trust was achieved gradually and over a very long period by using this method. However, in each case, trust was built through communicating information openly, not withholding information, never allowing surprise last minute management decisions to erupt.

During the interviews with funders, when asked about building trust and the necessary levels of transparency to organization employees throughout the strategic restructuring process, all funders agreed that full disclosure at each step in the strategic restructuring process was critical for any type of strategic restructuring to work. As stated before, interviewees encouraged full disclosure but as a gradual trickle throughout the organization over time. The analogy of a fire hydrant is a great example of how trust and open communication work during the strategic restructuring process. If the hydrant is opened at full blast, there will be plenty of water, but it will knock people over and much of the water will be wasted. However, if it is opened slowly, one has is control over the water and how it is used. This approach should be used when communicating openly to build trust.

Is the Funder Merely an Investor?

Throughout the interview process with funders, the researcher repeatedly asked the interviewees if their job was merely to give money towards the restructuring process as a sign of support, but then walk away, essentially proposing that the funder is an investor in nonprofit organizations. All of the interviewees suggested that they are more invested in the nonprofit organizations they fund and seek to play a larger role therein. This is important to understand because in the interview findings all the interviewees stated that strategic restructuring should not be funder-driven, meaning that they should not be the one suggesting or prescribing a strategic restructuring event, but rather advising or consulting on the matter.

One may see a foundation as a benign investor; however, the reality is that most foundations desire to play a much larger role in the organizations they fund, far beyond simply providing financial means. The donor/organization relationship is unique and one that is not replicated in the for-profit business world. In any other investor relations, the investor seeks efficiency and the lack thereof would cause the investor to remove funding from an inefficient investment. In the nonprofit sector, the donor/organization relationship is much more subjective. A foundation walks a fine line between investor and advisor, a line that is often blurred. In the for-profit business environment there are rules about the blurred lines between consultant and investor, but there are no rules to govern this relationship in the nonprofit sector. It is often a *catch 22* for the foundations. What emerged in the interviews is that each foundation handles this predicament differently; some foundations believe they are more consultants than investors, other foundations see their role as sole investors and provide little to no consulting. In the end, it seems there is no absolute rule regarding this relationship, but rather a cultural code by which the foundation choses to live.

Suffice it to say that the 10 different foundation executives interviewed in this study all feel that the process of strategic restructuring does deserve some merit. In most cases all funders want to help organizations going through the strategic restructuring process. However, in the end few generalizations can be made about who, how, and how much. It is as most funders stated- strategic restructuring is a management tool that should be used on a case-by-case basis and not a one-size-fits-all prescribed method of how to fix a failing organization.

Research Study Limitations

One possible limitation of the study is that another test may provide greater explanatory power than the MANOVA/MANCOVA test: the Repeated Measures test. The Repeated Measures test takes into account the fact that the collected data samples are taken from the same entities from different periods. Because this was the case in this research study, having multiple periods may have caused problems with homoscedasticity of observations in groups and therefore the Repeated Measures technique may be able to correct for this potential problem. Thus, a possible suggestion for a future study would be to repeat this study using the same data and the Repeated Measures MANOVA test. While this will not likely result in a different outcome, it should still be considered as the standard approach in modeling financial sustainability in cases involving before and after data points.

Yet another limitation may be the financial ratios used. Table 8 presents the results of analyzing the six different financial ratios across all data points and comparing the mean of each ratio before and after strategic restructuring. Table 8 demonstrates that the savings ratio virtually remains unchanged and the volatility ratio, the debt ratio, the fundraising efficiency ratio, and the liquid funds indicator improve. Although the statistical test appears to demonstrate that nonprofit organizations that implement strategic restructuring are equally sustainable after the implementation of strategic restructuring as before strategic restructuring, there is evidence that organizations did improve when looking at individual financial ratios.

Table 8

Mean for Each Dependent Variable measured against the Independent Variable-State of Restructuring-Before Restructuring and After Restructuring

Dependent Variable	State of Restructuring	Mean
Current Ratio	Before Restructuring	3.0043
	After Restructuring	2.8740
Volatility Ratio	Before Restructuring	9.4922
	After Restructuring	9.6426
Debt Ratio	Before Restructuring	0.2837
	After Restructuring	0.3381
Fundraising Efficiency	Before Restructuring	0.0399
	After Restructuring	0.0537
Liquid Funds Indicator	Before Restructuring	0.1104
	After Restructuring	0.5491
Savings Ratio	Before Restructuring	-0.0020
	After Restructuring	-0.0007

There is no evidence to suggest the financial ratios used were inappropriate. However, further research may generate more evidence to suggest better ratios by which to determine sustainability. In addition, one nonprofit financial specialist explained that nonprofit organizations' IRS 990 forms might not be the best financial numbers to use for this analysis; instead, using the organization's annual report or audited annual financial information might be a better source of data (D. Periera, personal communication, June 18, 2013). However, annual reports for nonprofit organizations are not public information. Thus, to obtain this information for over 100 organizations, as well as needing 3 separate years of data for each organization, would have taken more time than was feasible for the present study.

Suggestions for Future Research Studies

One of the greatest findings of this research study is how many possibilities were uncovered for future studies. Some suggestions affect both the qualitative and quantitative pieces of the research. These suggestions include changing the sample size, using a different independent variable, as well as interviewing different individuals.

Sample Size

The source of all of the strategic restructuring cases for this study was from the Nonprofit Collaboration Database. However, an issue within this database is there was no ability to distinguish budget size of the organization as a method of sorting. Thus, organizations with all sized budgets are included. As well, the organizations included in the research come from every area within the nonprofit sector. No specific area within the nonprofit sector was emphasized in this study. Because the quantitative model used is robust many different samples could be tested. One recommendation for a future study would be to narrow the sample down to a more specific target area. This could be done by focusing the sample on organizations with similar budget sizes as well as organizations within the same nonprofit sector, such as focusing only on social service organizations that have an annual budget between $1 million and $5 million.

"Type" as an Independent Variable

Yet another interesting event that occurred with the quantitative data was the results of the statistical test when the independent variable, Type of Strategic Restructuring, was the sole independent variable. The Type of strategic restructuring—meaning whether an organization(s) undergoes a joint programming, a parent subsidiary, an administrative consolidation, or a merger—does have significance. When testing Type as the independent variable against the dependent variables, there was always a significant result. This is to say, the type of strategic restructuring does affect the organization financially (Lambda (12,227.826) = .695, p =.001). However, because there was no research hypothesis posed originally discussing the impact of the type of restructuring performed, this was not a result of the research study. Nevertheless, this interesting finding deserves pursuing as a potential future study.

Potential Future Interviews

After undergoing the interview process, it became evident that the second research question could yield a future study all of its own. It became clear that more is better during the interview process. It would have been ideal to interview more people from a greater geographical scope. However, due to time constraints this was not possible. It also seems that interviewing both foundation executives and nonprofit executives on the topic of strategic restructuring could be rewarding and enable research to be conducted to discredit the notion that there are opposing views on the topic of strategic restructuring.

Conclusion

Strategic restructuring is a management strategy tool that, if used correctly, can, in theory lead an inefficient, unsuccessful organization to be more efficient, effective, and sustainable. However, as seen from the interviews with funders, this is not a tool meant for all organizations. When asked why more organizations do not engage or use this strategy, the simple answer is because it is hard work and takes a lot of time from many different stakeholders. However, if given mission-focused leaders, with continued financial support from third party payers to fund consultants who use the strategic restructuring formula, strategic restructuring can be a powerful tool for team-oriented, mission-focused organizations to maintain sustainability in an economy that constantly challenges the principles of sustainability.

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APPENDICES

APPENDIX A

Email Approving Use of Partnership Matrix

APPENDIX A

Email Approving Use of Partnership Matrix

Subject: RE: Doctoral Dissertation Re: Strategic Restructuring- Grad Student in need of assistance
From: Kristen Godard (XXXXX@lapiana.org)
To: XXXXXXX@yahoo.com;
Date: Monday, November 12, 2012 4:25 PM

Hi Laura – Sure, it would be fine for you to include the partnership matrix with full and proper attribution. Thank you for checking.

Best regards,

Kristen Godard

Partner

Director of Finance and Operations

La Piana Consulting

XXX-XXX-XXXX

APPENDIX B

Funders’ Perception Interview Questions

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Funders' Perception Interview Questions

As an expert within the foundation /nonprofit sector, you are being interviewed to gain insight on your perception of a strategic management tool known as "strategic restructuring". This term can be interpreted in many different ways. For the purposes of this interview, it is defined as a continuum of partnerships including but not limited to mergers, joint ventures, administrative consolidations, and joint programming. Strategic restructuring is different from general collaboration because these partnerships involve a change in locus of control in at least one or more of the organizations involved.

You are not being interviewed as a representative of your organization, but rather because of the sum of your experiences and not necessarily because of your current position. Although it is understood that it is because of your experiences that you are in your current position. Therefore, the scope of this discussion is not limited to only your current position, but all of your experiences as a nonprofit expert.

Interview Questions

General information to understand what your current involvement in the field

1. What is the size of the organization's endowment fund?
2. What is the budget for your organization's annual giving?
3. What is your title within this organization?
4. Please explain your roll in the organization?
5. Do you influence how your organization donates its funds? If so, in what capacity?

Strategic Restructuring questions

6. Are you familiar with the term 'Strategic Restructuring'?

7. What does 'Strategic Restructuring' mean to you?

8. In general, there are varying views about strategic restructuring, one is it may have a negative connotation and be seen as a failure for the organizations engaging in this activity, the other is that it has a positive connotation and is seen as a wise use of resources. What is your perception of nonprofit organizations merging or creating strategic alliances?

9. Do you believe that organizations such as yours, a third-party payer, should fund organizations that go beyond collaboration and engage in strategic restructuring? Please explain.

10. Given the following scenario, how would you respond?

Currently, as a third-party payer, your organization funds Organization A and Organization B. For whatever reason the two organizations decide to merge because it is deemed they will be more successful and effective because of the merge. Considering the newly created Organization C, a combined Organization A and B, what is the recommended funding level for Organization C?

10a) would you continue to give at the same level of giving as you did when they were two separate organizations? Why or Why not?

11. What level of involvement do you believe a third party payer/funder should have on an organization's desire to go beyond collaboration and participate in strategic restructuring?

11a. (if interviewee correlates answer to level of giving ask what if they were not the primary funder)

12. Does your organization provide any educational materials regarding strategic restructuring?

If so, what? How is this material distributed? Do you believe it is helpful?

If not, why not?

13. Does your organization currently have a fund(s), or grant(s) set aside for the sole purpose of encouraging strategic restructuring?

14. If not a sole purpose grant or fund, do you fund organizational realignment/strategic restructuring in other ways? Would you encourage strategic restructuring?

15. Have you worked with or formally been a part of a strategic restructuring process? If yes, what kind of strategic restructuring process was it?

If not, why not? Would you in the future? **Proceed to question #19.**

16. If you answered yes to question #15 please tell in as much detail as possible how you participated in the strategic restructuring.

17. Would you describe the strategic restructuring process discussed in question #15 as an overall success or failure? Why?

18. Would you recommend the strategic plan discussed in #15 in the future?

19. What do you believe is the most effective strategy to educate and support organizations engaging in or considering engaging in strategic restructuring?

20. What level of transparency should there be between organizations that engage in strategic restructuring?

APPENDIX C

Informed Consent Letter, Argosy University, Southern California

APPENDIX C

Informed Consent Letter, Argosy University, Southern California

Dear ________________,

Please read this consent agreement carefully before agreeing to participate in this study.

Title of Study: Encouraging Strategic Restructuring in the Nonprofit Community: An Empirical Study of Success

Purpose of the Study: This research study is being conducted by Laura Woyach at Argosy University, Southern California to obtain third-party payers opinions and perspectives on the concept of strategic restructuring and its application to nonprofit organizations.

What you will do in this study: You will be asked to participate in a one-on-one interview with Laura Woyach. This involves answering a series of questions. Questions will include details about strategic restructuring and the role you play in relation to this subject matter. You are being asked to participate because you are an executive for a nonprofit organization, which provides financial resources as a third-party payer to other nonprofit organizations.

Time required: The study will take approximately one hour to complete.

Risks: There are minimal risks for participation in this study. This research study is designed to gather practical, applicable information about your perceptions of strategic restructuring and the role an individual in your position should contribute to strategic restructuring or strategic alliances for nonprofit organizations.

Benefits:

There are no direct benefits to participants. However, it is hoped that your participation will help researchers learn more about the role a funder should have in the application of strategic restructuring for a nonprofit organization. Upon the completion of the study you will also receive a pdf copy of the research study.

Confidentiality:

All information provided will remain confidential and will only be reported as group data with no identifying information. All the information gathered from the study, will be kept in a secure location and only those directly involved with the research will have access to them. After the research is completed, the information will be destroyed after a period of a year.

Participation and withdrawal:

Your participation in this study is completely voluntary. You may withdraw from the study at any time without penalty and this will not affect your current or future relations with Argosy University, Southern California. You may withdraw by telling the experimenter that you no longer wish to participate and the study will be stopped.

Researcher Contact:

If you have any further questions after participating from this study, please contact me at XXX-XXX-XXXX or email me at XXXXXXX@yahoo.com

Whom to contact about your rights in this experiment:

This study is conducted under the supervision of Dr. Ed Khashadourian from the Argosy University, Orange County, Department of Business. He can be contacted at (818) 395-5031 or ed@opportunitytoassets.com or you can contact the Chair of Argosy University, Southern California, Institutional Review Board at 601 South Lewis Street, Orange, California, 92868 or (714) 620-3625.

Before signing this consent form, please talk to the researcher to clarify anything on this consent form or any concerns you have about participating in this research study

Agreement:

The purpose and nature of this research study has been explained to me by the researcher and I agree to participate in this study. I understand that I am free to withdraw at any time without any penalty. I have also have written my initials and today's date at the top of each page. After signing this consent form, I will also receive a copy of this consent form for my own records.

Signature: ____ Date: ____________________

Name (print): ____

Researcher Signature ______________________________ Date:____________________

Name of Researcher (print): ____

APPENDIX D

List of All Organizations Analyzed for Quantitative and Case Study Analysis

APPENDIX D

List of All Organizations Analyzed for Quantitative and Case Study Analysis

Name of Organization	Type of Strategic Restructuring
Blind Industries and Services of Maryland Raleigh Lions Club for the Blind	M
Grounds for Sculpture Music and Motion Dance Productions, Inc.	JP
Talbert House CenterPoint Health	PS
Clearfield-Jefferson Community Mental Health Center Community Guidance Center	AC
Miami Lighthouse for the Blind and Visually Impaired Dr. Bruce Heiken Memorial Fund, Inc.	M
Boys n Girls Club Lenawee Catholic Charities of Lenawee	JP
Mile High Community Loan Fund Habitat for Humanity of Colorado	JP
CareConnect Special Transit	JP
Mittleman Jewish Community Center Portland Jewish Academy	AC
CJE SeniorLife Mather Lifeways	JP
Hillel of FSU Foundation, Inc. Holocaust Education Resource Council (HERC)	JP
Huntsville Hospital Foundation Athens Limestone Hospital	AC
Bethlehem Haven Miryam's	M
Cornerstone Performing Arts Center Sterling Music Exchange	PS
Chrysalis A Center for Women/Tubman Tubman Family Alliance	M
Boys and Girls Club of West Central WI Boys and Girls Club of Baraboo	M
St Matthews House Immokalee Friendship House	M
Recovery Resources Community Challenge	M
New Moms Bright Endeavors	M
Carson Valley School/Carson Valley Child Aid Childrens Aid Society	M
Oregon Trout/ Freshwater Trust Oregon Water Trust	M
Threshold The Community Place of Greater Rochester	AC

Name of Organization	Type of Strategic Restructuring
Our House The Moyer Foundation	JP
Woodland Literacy Council Yolo Wayfarer Christian Mission	JP
Youth Re: Action Corps/New Global Citizens Youth Philanthropy Worldwide	M
Pacific Environment Seaflow, Inc.	M
Family Place Family and Children First	M
Gulfstream Goodwill Industries Lighthouse for the Blind of the Palm Beaches	AC
Harbor House of Central Florida Children's Home Society of Florida	JP
Heritage Day Health Centers National Church Residences	PS
Junior League of San Antonio Goodwill Industries of San Antonio	JP
Community Programs of Westchester Jewish Community Services (WJCS) Jewish Child Care Association	JP
YMCA of Western Massachusetts Goodwill Industries of Springfield/Hartford	JP
Baltimore Clayworks Jubilee Arts Center	JP
Habitat For Humanity West Valley/Habitat for Humanity Central AZ Habitat For Humanity of the Sun	M
ArchCare at Terence Cardinal Cooke Healthcare Center Mt Sinai Hospital	JP
Brewster Center Domestic Violence Services Tucson Centers for Women and Children	M
Bridges of Understanding Global Nomads Group	JP
Hester Street Collaborative City Parks Foundation	JP
CNT Energy Community Investment Corp	JP
Granite State Independent Living New Hampshire National Spinal Cord Injury Assocation	M
The Seton Fund on behalf of the Seton Family Hospitals Lone Star Circle of Care	JP
Youth Orchestras of San Antonio Good Samaritan Community Services	JP
Jewish Apartment and Services Jewish Home and Aging	PS
Strawberry Mountain Mustangs The Equamore Foundation	JP

Name of Organization	Type of Strategic Restructuring
Green Doors SafePlace	JP
Tigermountain Foundation Tanner Properties Inc.	JP
Center for Children's Advocacy Jubilee House	JP
Big Brothers Big Sisters of Greater Kansas City Kauffman Scholars	JP
Keep America Beautiful	JP
Public Health Management Co.	AC
Children's Dental Services	JP
Communities for Recovery	JP
High Plains Library District	JP
Baltimore Area, Boy Scouts of America	JP
Mama Hill Help	JP

Note. M = Merger, AC = Administrative Consolidation, JP = Joint Programming, PS = Parent/Subsidiary

APPENDIX E

Definition of Accounting Categories Used to Create Dependent Variables

APPENDIX E

Definition of Accounting Categories Used to Create Dependent Variables

Because data from various years (2006-2011) of IRS Form 990 were used to obtain data for this research, it is not possible to list the exact line item that was pulled because the line item number changed each year because the form changed each year. However, the categorical naming or line item name did stay the same from year to year. Therefore, it is this information used to explain where all data came from. The 14 categories of accounting information obtained are current assets, current liabilities, total liabilities, total assets, fundraising expenses, total contributions, total revenue, total expenses, total net assets, restricted net assets, fixed assets, average monthly expenses, donor contributions, and program revenue. It is important to note that only end of the year numbers were ever used never the beginning of the year. For the purposes of this study, the change from beginning to end of the year was not important.

Current Assets: This was a summation of several lines of data. Not all organizations had every line. Current assets are summation of cash non-interest bearing, accounts receivable, grants receivable, pledges receivable, all other receivables, other notes and loan receivables, prepaid expenses, and inventories for sale.

Current Liabilities: This was a summation of several lines of data. Not all organizations had every line. Current liabilities are the summation of accounts payable, grants payable, and deferred revenue.

Total Liabilities: This is a single line item found on the Balance Sheet page of the 990.

Total Assets: This is a single line item found on the Balance Sheet page of the 990.

Fundraising Expenses: This single line item is in several different places depending on which IRS Form 990 is used. However, it is explicitly stated not a calculation.

Total Contributions: This is in the revenue section of the IRS Form 990. It can be a single line item, Total Contributions, but it is also a summation of contributions to donor advised funds, direct public support, indirect public support, and government contributions.

Total Revenue: This is a single line item found on the Revenue, Expenses, and Changes in Net Assets or Fund Balance. This is usually on the very first page of the 990.

Total Expenses: This is a single line item found on the Revenue, Expenses, and Changes in Net Assets or Fund Balance. This is usually on the very first page of the 990.

Total Net Assets: This is a specific line item found in several places however; it is always on the first page of the 990 at the very bottom listed as "Net Assets for Fund balances at end of year"

Restricted Net Assets: This is on the Balance Sheet page of the 990. It is necessary to add together both temporary restricted and permanently restricted. If an organizations uses a short form 990 there is no Balance Sheet section and thus they do not have any restricted net assets.

Fixed Assets: This is two line items "Land, Building, and Equipment" and "Less accumulated depreciation". It is important to remember to use the end of the year number for these two combined lines.

Average Monthly Expenses: This is a calculation the researcher did by taking the Total Expenses, mentioned above and dividing by 12.

Donor Contributions: This is the summation of direct public support and indirect public support found in the revenue section of the 990.

Program Revenue: This is a specific line item found in the revenue section of the 990

APPENDIX F

Descriptive Statistics of 14 Accounting Categories

APPENDIX F

Descriptive Statistics of 14 Accounting Categories

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean
Current Assets	265	291,471,561	0	291,471,561	5,533,346
Current Liabilities	265	22,479,847	0	22,479,847	1,379,796
Total Liabilities	265	270,793,862	0	270,793,862	6,410,814
Total Assets	265	293,196,555	0	293,196,555	13,300,460
Fundraising Expenses	263	4,651,360	0	4,651,360	203,597
Total Contributions	265	136,305,689	0	136,305,689	4,954,519
Total Revenue	265	136,393,479	0	136,393,479	9,870,698
Total Expenses	265	136,346,179	0	136,346,179	9,678,844
Total Net Assets	265	87,372,029	0	87,372,029	6,247,325
Restricted Net Assets	265	55,071,142	0	55,071,142	1,617,289
Fixed Assets	265	446,403,844	0	446,403,844	5,753,212
Ave. Monthly Expenses	265	11,362,181.58	0	11,362,182	806,570
Donor Contributions	259	20,769,609	910	20,770,519	1,863,461
Program Revenue	265	73,384,282	0	73,384,282	4,240,527
Valid N (listwise)	257				

When analyzing the 57 cases and all of the organizations participating in the strategic restructuring the researcher did not filter for what type of organizations participated in the strategic restructuring. Therefore, the cases included organizations from all different areas of the nonprofit sector including, human services, healthcare, education, housing, arts and culture, mental health, community development, environment, animal protection and welfare, and volunteerism. In addition, financially speaking, the organizations were of all sizes ranging from having less than $25,000 in annual income to as large as over a billion dollars in annual income. This caused each of the 14 accounting categories to have an extremely large range. Organizations such as hospitals, which have hundreds of million dollars to billion dollar budgets, with large fixed assets and cash balances, were included in this study. In contrast, organizations such as a small art studio or a local theater company were also included. These smaller, grassroots organizations had very small budgets, with no fixed assets, and little cash. In addition, the hospital type organizations had huge revenue streams whereas the small grassroots organization did not. It is these vast extremes, which caused there to be extreme outliers as well as kurtosis. However, the majority of the organizations were about $100,000 to $1million annual revenue, with such a large number of organizations falling into one category while also having the extremes stated above, this resulted in most of the accounting variable's histograms to be skewed.