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Using the Clinical Perspective to Help Staff Manage Change in the Context of Merging Two Nonprofit Human Service Agencies

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Introduction

In January of 2009, FamiliesFirst Incorporated (FFI) and EMQ Children and Family Services (EMQ) officially merged to form the largest children's agency in California. Currently serving over 18,000 individuals, with a 90 million dollar annual budget, the agency provides mental health, foster care, adoption, and community based services; residential treatment; and social services to families in need throughout the state of California.

Both organizations brought with them to the merger extensive experience serving families in crisis in California. FFI was founded in Davis in 1974 as the Praul Center Residential Treatment Program, changing its name to FamiliesFirst in 1985 to more accurately reflect its mission. FFI expanded to adoption services, kinship, shared family care, and transitional living programs in the late 1990s. EMQ Children and Family Services, with headquarters in Campbell, grew out of a 1987 merger between Eastfield Home of Benevolence (founded in 1867) and Ming Quong (founded in 1874), providing residential treatment for children and adolescents. In the early 1990s, EMQ pioneered California's first Wraparound services, grew to serve Southern California in 2002, and eventually merged with Hollygrove (founded in 1880) in 2006.

The merger between FamiliesFirst, Inc. and EMQ Children and Family Services was preceded by extensive preparation and due diligence from both agencies. Regional Manager Antoinette Harris[1] has been with FamiliesFirst for 28 years, infusing her experience working with families into her management approach. She served as a key figure in managing change within her region throughout the merger, helping staff and leadership to see the merger through a clinical lens.

<u>Context Behind Merging</u>

FamiliesFirst had been considering the possibility of merging for several years, primarily as a result of trends in the business, specifically around residential and foster care, the two programs that generated the majority of FamiliesFirst's funds. When we saw the decline in the number of children in foster care and long-term residential treatment, FamiliesFirst experienced a decline in revenue. We were able to sustain a one-year million-dollar loss, but after multiple years of losing revenue, we had to rethink what we were going to do. In the early 2000s the FFI Board issued a charge for the leadership to focus on making a change, either by re-tooling services, closing services, merging with another agency, or closing the agency.

In 2002-2007 we sustained tremendous losses. The trend was to avoid long-term residential placement and instead to consider residential services as a 6-9 month treatment option for youth. This shift would sink us as an agency. We had conversations with a couple of agencies that were similar in scope and services, but slightly lower in revenue, about the possibilities of coming together. During this same period, FamiliesFirst went through a few

[1] All reference to "I" in this case study is the voice of the senior author, Antoinette Harris.

CEO changes. The Board was trying to stabilize the agency, while working with the C-level[2] to make decisions about the organization's future. They came to the decision that we either had to "get out of the red" or close major services. I do not want it to seem as if the merger was driven only by financial need for FamiliesFirst, but it was a part of the context.

As a result of the same trends in the field, other programs in the state began closing; in response, we were able to maintain our residential component. This helped re-stabilize FamiliesFirst financially, but we still needed to make decisions about who we were, what we did well, where we had weaknesses, and who we wanted to be as an agency. Though EMQ was not challenged by the shifts in residential services, they were struggling with some of their mental health and foster care services. In conjunction with these difficulties and with EMQ CEO Jerry Doyle's[3] eventual plans to retire, EMQ also began to reflect on its own identity, its services, and its areas of strength and weakness. This set the stage for the initial conversations between the two agencies about commonalities and differences and places of overlap and intersection.

<u>Talks of Affiliation: An Extended Courtship</u>

We began discussion with EMQ to explore a possible *affiliation*, defined as having one CEO and one Board, shared resources (IT, HR, Training), and essentially one "back office," but still operating as two separate agencies with our own organizational titles and identities. Prior to any decisions, a series of facilitated meetings and conversations were set into motion. These conversations began at the CEO and Board levels and then moved to include limited Executive Directors and Program Managers. We quickly discovered that the two agencies provided a lot of

[2] C-level refers to the leadership tier including the CEO, COO, CFO, and Vice Presidents.

[3] Jerry Doyle, former CEO of EMQ Children and Family Services, brought EMQ through the merger, served as the first CEO of the merged agency EMQ FamiliesFirst, announced his retirement in June 2009, and currently maintains emeritus status on the EMQ FamiliesFirst Executive Team.

similar programming, but had very few places of geographic overlap and service duplication. EMQ was known for providing WrapAround services and not residential treatment, yet we (FFI) provided residential treatment. EMQ's deep roots in WrapAround services, coupled with our movement to expand into community mental health services, allowed us to avert a potential conflict in this area. Instead, the conversation became one of: "This feels like home… This feels like I've been with you before… This feels like we're on the same page." The more these sentiments arose, the more both agencies started to move towards determining the steps necessary to figure out whether or not we should affiliate/merge.

The next several months served as a period of extended courtship, prior to any decision to permanently join together. Through a process of due diligence, both agencies transferred and reviewed countless boxes of information, examined licenses and services, and cross-trained with program and support staff. Cross training brought people doing similar work together across some programs and departments and was seen as a training opportunity. Even if the agencies did not merge, the rationale was that staff would gain significant insight into their work.

Foster care became one of the main elements of merger negotiations, contributing to the shift in thinking from *affiliation* to that of *merger*. FamiliesFirst was one of the first agencies to offer treatment foster care,[4] allowing us to have a three-tiered rate,[5] while most agencies only have two. We grandfathered-in a foster care rate in the late 1990s, which was significantly higher than that of EMQ's, yet in order to operate together, we needed to have one state approved rate. We did not want to revert to standardized foster care after years of investing

[4] Treatment foster care grew out of a step-down approach from residential treatment, but emerged as a prevention model, attempting to keep youth out of residential facilities all together. It is less expensive than residential.
[5] Tiers are defined by the frequency and level of intensity of treatment. On average, Level 1 constitutes a monthly visit from a social worker; Level 2 provides weekly contact with a social worker; and Level 3 includes a support counselor for the youth at school (all day or part day), after school, and on weekends, as well as requiring higher expectations for foster parents. Level 3 is most often offered to children with physical, emotional, and/or behavioral disabilities.

energy, training, and time into quality treatment foster care. Negotiating and approving a uniform rate across both agencies took a significant amount of time.

Communications to Staff

By the time discussions reached the Executive Director level, staff began asking a lot of questions, including: *what are all these meetings about and who is this person at the office.* The agencies decided that it was time to communicate what was happening to staff. Three to four messages were reviewed and adapted before official communication went out to all staff at both agencies. The initial message to FFI staff read (paraphrased): *We are in communication with EMQ regarding a possible affiliation; please look to their website to learn about their services and history. We have a lot of compatibility and an affiliation will greatly benefit both agencies and the children and families we serve.*

Within the Contra Costa region, we brought staff into the overall visioning process for the potential affiliation/merger. The visioning was about exploring a lot of "what ifs" around what it would look like if we became part of another organization or if we brought in others to work with us. The process generated discussion and afforded a space for people to air their concerns and questions such as: *Will I have my job? What would we be called? What would we be doing? How would it affect my job?* Throughout communication in the pre-merger phase, we used a common refrain: *regardless of whether or not we affiliate, continuation of services and individual programs will remain contingent upon our ability to maintain and attract new contracts.* As part of the visioning process, FFI and EMQ regional staff were asked: *What would you need to get through this process? And what would you like the outcome to be*? Staff overwhelmingly responded by wanting to continue to do what they were doing, but wanting to do it better. For the most part, staff saw the merger as a way to secure additional resources to do what they were doing.

It was clearly communicated to staff that the majority of the impact would be on support staff and executive management, not on the day-to-day program staff. This held true through the actual merger. The biggest impact was initially seen in the FamiliesFirst Human Resources Department, in addition to a significant impact to both agencies' Fiscal Departments and their Executive levels. The degree of downsizing varied regionally and by department, as it was determined by the amount of overlap in any one area. At the C-level, FamiliesFirst CEO Walter Grubbs[6] came into his position recognizing the need for the reorganization and a desire to help facilitate the changes; EMQ CEO Jerry Doyle was named EMQ FamiliesFirst CEO, and EMQ President Darrell Evora[7] was named EMQ Families First President.

Pre-Merger: Engagement

The shift from an exploratory tone around affiliation to "this is going to happen" came in the form of an official communication to both organizations in response to rumors and questions from external partners and organizations regarding the merger. The spread of rumors became an opportunity for having open communication with staff and crafting messages for the community at large (clients, county partners, collaborative partners, funders, etc,).

[6] Walter Grubbs had observed FamiliesFirst for a long time, serving on our Board, prior to becoming the agency's CEO and President. He came to FFI from VSP Vision Care where he was Vice President of the HR dept.   Grubbs is currently running post-merger focus groups, continuing to assist with the integration process. He is finishing up his term and plans to be a consultant for non-profits in the Sacramento area.

[7] Darrell Evora served as EMQ President since 2001 and replaced Doyle as EMQFF CEO in June, 2009.

EMQ's Director of Public Relations Kristine Austin[8] and her communications team worked hard to craft internal and external messages. It was clear that the communication had to be sharp; that we needed to be clear about who would deliver the message, and who would receive it. Believing that honesty is our best policy, we announced to staff: *Yes, we are talking about affiliation.*[9]

The communications team continued to keep the lines of communication open to staff throughout pre-merger, merger, and post-merger periods. The official written message that we disseminated to staff in response to the frequently asked question, "Now that we have the green light, what can we expect," read: "There are always challenges to implementing a merger, such as the necessity to plan, communicate, and execute well; to preserve positive relationships with our payors; and to maintain high morale among agency staff. However, we are committed to manage these challenges successfully" (EMQ Families First Merger Frequently Asked Questions, 12/3/07).

The "message was out" and this marked the point at which we shifted into higher gear; we began to engage more fully in our process of due diligence. The Boards and C-level made the decision to bring in a facilitator to help with the merger. The facilitator worked with service staff, support staff, and governance to improve consistency. She focused on asking questions to move our process forward. We also used numerous integration teams to help us during this phase. We scrutinized everything; on the programming side, we looked at forms, processes, procedures, and policies; on the governance side we looked at structure.

[8] Kristine Austin is a communications guru and able to think in 50 directions at the same time about the impact of a single communication. She has done coaching with us about communication and talks about how one word or one expression can turn a whole conversation.

[9] The language moved from affiliation to merger after about 9 months of formal talks about affiliation.

As groups met and decisions were made, reports were sent out to various levels of management, but with the understanding that all reports leading up to the merger were tentative, acknowledging that change would occur, as additional information was uncovered. Information often didn't filter down to direct care staff until after a decision was made (i.e. changes in cell phone carriers, medical insurance plans, bulk shopping brand, etc.). Most direct service staff did not want to be involved in all the decision-making; they wanted to be able to continue to focus on their jobs. If the change did not have a major impact on service delivery, the staff was pretty accepting; they just wanted to be notified before it directly affected their work. Many staff from programs that were similar across agencies – foster care, WrapAround, and parent partners – met together as a unit to discuss how each agency handled their programming in these areas. These meetings provided a forum for training and support.

Merging: Managing Change

Staff had questions: *Will I have a job; Who do I call to get my cell phone fixed; Do I have to change the way I deliver service? How will decisions get made?* It was clear that managing the staff's transition was crucial to the merger's success. This merger brought together confident and competent professionals who came with experience, pride in their work, and recognition outside the agency. Within the Contra Costa region, we made the conscious decision to model the transition after something with which we had had great success–working with families. We wanted to honor the agencies' successes by starting from what was already working and building out from there. It was my role to help my regional staff manage change and see the merger through a clinical len.

In the fall of 2007, I gave a presentation of services to the combined Boards at a board meeting dinner. The common thread running through my presentation was that of our treatment philosophy: *strengths based, solution focused, and family centered.* Within 5 minutes of my speech, Jerry Doyle stood up and said, "Can you hold your presentation for just one second and let me start an appreciation applause." Jerry Doyle followed the applause by saying, "This is why it makes sense for us to merge. We have a shared vision in terms of how we provide services." I responded by saying, "We have to work from the customer's perspective… My customers are not only the counties, but also the people that I supervise (whose customers are the clients), and you [the Boards]. I need to make sure that I'm doing what you need and want us to do, and at the same time I need feedback about what I'm doing and if it's being accomplished in the ways in which it should be." Then I went back to my presentation.

During the merger, I had a conversation with Walter Grubbs, Jerry Doyle, and Darrell Evora, at which I said, if this is going to work for staff, we have to be upfront, clear in our communication, and look at this from their perspective about what's not being said. This philosophy slowly began to permeate the integration team meetings. Our facilitator was excellent at helping us examine the merger from multiple perspectives, including that of the staff, the youngest client, parents, county workers, county administrators, political figures, etc.

Approaching the merger with a clinical overlay, we examined our Wraparound principles and applied them to the merger: we tried to figure out *what is working, what makes it work, how do we continue to keep it working, and how do we document it*. As meetings occurred and program staff met, we had to continuously ask ourselves: *What do you need? How can I get it to you in a way that's satisfactory? And how do we maintain friendly (internal) relations through the process?* Proving to be a parallel process, I began asking the same questions whether I was trying to communicate with the CFO, accounts payable, Human Resources Business Partner or to my own staff.

We viewed managing change at the organizational level as parallel to helping families manage change. Informed by this belief, the Road Shows showcased the strengths of both agencies, and then provided an overlay, showing what it would look like as one. We shared histories, successes, and accomplishments, which led to discussions about possibilities. We wanted people to recognize that we were not coming together because we were failures. Instead, we were coming together because of how successful each agency had been and because we knew that by combining our efforts we could increase coverage area, increase the number of children served, provide a wider continuum of services, have a more powerful advocacy voice, and make a greater impact in California. If a family moves from San Bernardino to Fairfield, EMQ FamiliesFirst can now provide continuous and consistent services through that move. Staff gained a sense of pride in being a part of such a large agency.

We then drilled down to managing change at the individual service level to ensure that we were keeping families at the forefront in the face of the merger. Decision-making was accomplished not so much by asking who is doing it better or faster, or slower, but by asking: *How do we enhance our services?* The covering for all conversations was based on delivering quality services and contract maintenance. We worked to improve the communication between individual EMQ and FFI direct service providers, while remaining focused on what individual families were saying about their experiences at the agency. With the support staff we focused on direct feedback about their services, their response time, and the level of respect conveyed through their responses. We wanted internal and external communication to be *timely* and *respectful*. The themes of respect and perspective were communicated at staff meetings.

Corporate operations meetings continue to open with acknowledgments and declarations of respect.

We acknowledged that transition is difficult and whenever possible provided tools and support to ease the challenges inherent in change. In formal communication sent to staff, we indicated that, “Inevitably a merger of this size will encounter challenges in the transition process. However, we are committed to the effective management of any potential challenges we face.”

Managing Organizational Culture and Scale

The differences in organizational culture between both organizations was most apparent in our approaches to decision-making. A top-down, centralized decision-making model characterized EMQ, while we (FFI) had been more de-centralized. FamiliesFirst supervisors and EDs had experienced greater involvement in decision-making than their EMQ counterparts. We realized that a shift in organizational culture would necessitate patience, rethinking, letting go of the “way things were” and some training.

The pre-merger and merger shifted roles and responsibilities around hiring, initially towards a more centralized approach, followed by a period of decentralization giving supervisors greater autonomy in the hiring of their own staff. FamiliesFirst supervisors wanted this more hands-on approach, so the communication to them was framed as, “We’ve heard your requests; hiring is becoming decentralized.” EMQ Supervisors were used to centralized hiring, so their announcement was framed slightly differently; it read, “We recognize that, as hiring managers, you will have a better knowledge of fit between person and position. As a result, we might be screening out folks that you think would fit the position. We are now going to provide you with an opportunity to be more hands on with the recruiting and hiring of your staff."

Changes in technology related to quality improvement often presented opportunities for one agency to train the other, initiating further dialogue and integration between the agencies. For several years FamiliesFirst had been using both Cyber-Recruiter for HR, a software package for recruiting, and Essential Learning, an online learning and sign-up system for mandatory trainings. When the decision was made that both agencies would use these systems, FamiliesFirst staff worked with the EMQ staff to introduce them to the system. A hands-on approach to training staff was encouraged so that staff could quickly discover that these technological adjustments were not as difficult or time-consuming as they once thought.

Issues related to *scale* represented a specific kind of change that needed to be managed, particularly for FamiliesFirst, resulting from our decentralized culture. Staff went from thinking locally, to working within a statewide organization with multiple layers of hierarchy. This transition and new complexity was managed by bring people together. We brought in the Regional Team, including the Regional Vice President, the Regional Executive Director, the Regional Director, Regional HR Business Partner, and key people from the Fiscal Department for a large staff meeting. We talked about who we are as people; shared names and positions; talked about the things we love about our jobs and why we stay; and we shared success stories that were both work and non-work related. After laying this groundwork, we talked about roles, responsibilities, and new procedures. We gave people the chance to ask hard questions about their expectations.

In the Concord office, staff used these meetings as an opportunity to share what they knew. When it came time to be trained on how to do a performance evaluation, Concord staff were able to say, we have been using this tool for 5-6 years. This was expressed not with negativity or disrespect, but as a way to find a common starting place. Again paralleling our work with clients, a common starting place allowed us to focus on our strengths, what we had already accomplished, and what we still yet needed to know.

The Concord experience informed future trainings and process presentations. The Regional team began to ask groups how they were currently doing things and what was working well, prior to imposing any new protocol or procedures. Staff recognized this strategy as part of our treatment philosophy. We begin with families by asking what's working, what are the family's successes, what's not working/what they need, and how would they like to see it change. When questions during the transition arose, we used the same process. Staff saw the parallel between organizational change and family change - they "got it" - and they felt honored by the approach.

During the pre-merger activities a number of other agencies were merging or affiliating. EMQ and FFI managers and supervisors were encouraged to talk to other agencies about process, their thoughts and feelings during transition, and the benefits and drawbacks to merging. My regional team used these exchanges to normalize our experiences. We also read articles and case studies providing insight into why nonprofits merge and what can be gained, common impediments and challenges to merging, the role of internal leadership, maintaining identity in the face of change, the human elements of merging, and strategies for successful merger preparation and post-merger unification.

We learned to think clinically and act organizationally in our search for how best to engage in difficult conversations through the merger process. We had to respect that some conversations of change were about people's livelihood, income, benefits, and families. Major staff turnover would jeopardize our continuity of services and we needed to remain mindful of that risk. We examined the ways in which we have difficult conversations with our clients and applied this to the ways in which we approached conversations about the merger. From a clinical standpoint, we ask three critical questions: 1. *What is the worst possible thing that can happen to you after you ask the question and what is the worst possible thing that can happen to the family after you ask the question*, 2. *How safe do you feel*, and 3. *What do you believe people will believe about you after you have this conversation*. Translated to the organizational setting, reflecting on these questions helped us prepare for and enter into difficult conversations about the merger.

It became critical to find a common language between clinical and non-clinical staff to reconcile the differences that emerged along these two lines of work. We worked to create a common language by talking about what it is that folks do everyday. First focusing on daily work with families, we could then ask what needed to change in order to maintain efficiency and effectiveness. We used graphics, visual diagrams, organizational charts, and flow charts to aid in establishing a cross-departmental common language, to connect dots, to make relationships more clear, to explain work-flow patterns, and to illustrate points of entry and discharge.

Post-Merger: Honeymoon and Beyond

The merger became official in January of 2009 and was followed by a short honeymoon period of about a month, after which we returned to the realities of the transition, including working through glitches, fielding normal workday problems, and post-merger integration work. For the most part, people have gone back to their day-to-day work, while IT, Fiscal, Facilities and HR continue to hammer out details. The communication department continues to put incredible thought into the announcements, reminders, and messages of encouragement that go out to folks throughout the agency. We anticipate that this post-merger phase will probably last two years.

Some post merger glitches are a result of the merger, while others are inherent to our new size. Positions that were vacant during pre-merger, but have since been filled, experience more glitches than those who had the benefit of experiencing the pre-merger preparations. The reality of our scale exacerbates our need for open, clear, and timely communication across departments. Our involvement with the Council on Accreditation also consumes significant time and energy in this post-merger phase. FamiliesFirst is already accredited, but EMQ is not. As the merger stipulated, we have applied for an extension to cover the newly merged agency.

Reflecting Back Over 3 Years: Lessons Learned

Reflecting back over the past three years, I have learned ***the importance of examining and negotiating decision-making processes in the pre-merger stages***. I do not believe we knew all of the right questions to ask regarding decision-making in the pre-merger phase and we are now experiencing some of the consequences. Navigating hierarchies in order to get final approval (in multiple areas) takes longer than we would like. We are now negotiating the levels of approval required for various stages and types of decision-making, seeking a balance between accountability and efficiency. This lesson learned was felt by the fact that we missed 3-4 grant deadlines because of lengthy decision-making processes.

Through this merger and in my 28 years with FamiliesFirst, I have also learned that ***change is continuous and that (some) compromises are necessary.*** My willingness to acknowledge and embrace the notion that change is constant helps me to better manage. While change is constant, it is also helpful to begin to standardize some aspects of what we do. Additionally, the lessons learned need to be applied as broadly as possible. Any “crisis” has the opportunity to be viewed as an opportunity for learning and growth.

And a final lesson learned is ***the importance of ownership, while also being able to let go.*** I need to have ownership of the agency, its programs, and my responsibilities; I need to own how I feel about and represent what I do; and yet I have to know that I am not the sole owner. I have had to learn to let go of some of the “old” ways and maintain those processes that work.