

This edition of *Realignment News* includes an excerpt from a book about mergers, information about the April start date group, the FASB drafts regarding nonprofit mergers, and responses to your questions.

Realignment News Is Transitioning

Because this tool has been so successful, we are broadening the scope of its content. Rather than multiple newsletters, we feel that a combined publication would better serve the needs of councils. A new monthly newsletter will be launched at the end January to provide a similar format for not only realignment, but also for the other aspects of the Core Business Strategy, volunteer development, and leadership development program for girls. This will be the last issue of *Realignment News* as a stand-alone publication. Thanks to everyone who has worked to make *Realignment News* such a success. We will continue to provide timely realignment information in our new publication.

Realignment questions are always welcome. Please send them to Vicki Wright at vwright@girlscouts.org.

ITEMS OF INTEREST

Mergers: Leadership, Performance, and Corporate Health

This header is the title book by David Fubini, Colin Price and Maurizio Zollo, which while not focused on nonprofit mergers, offers lessons that are similar and useful. As the authors state:

“A truly healthy merger results in improvements across multiple dimensions, including operating and financial performance, business and technical capabilities, strength of stakeholder relationships, corporate culture, pace and focus of learning, and ability to renew and enhance strategy.”

This book argues that CEOs and other senior managers need to focus greater attention on defining and performing their own leadership role in a merger. It's no longer sufficient for those at the top to view their job largely in terms

of avoiding disaster and bad publicity, to assume that integration is a technical challenge that can be delegated away, or to be daunted by the many dimensions of the merger exercise, some of them intangible.

Based on interviews with almost 30 CEO ‘veterans’ of the merger arena – and an in-depth analysis of 167 post-merger management engagements completed by McKinsey & Company across all industries and in all countries between 1999 and 2001 – the authors have identified five key leadership challenges:

1. Create a new top team before the close of the merger and make it the ultimate template for integration, embodying every characteristic that is crucial for the success of the merged company.
2. Ensure that the merger communications are set in the context of the broader corporate story – what the company means for its stakeholder groups, and how they interpret it’s past, present and anticipated future.
3. Focus effort on a ‘performance culture,’ that is to say the crucial set of attributes and behaviors that are required to create value in the merged company.
4. Identify those external stakeholder groups where the value at stake is significant and to become their active champion.
5. Identify the need for, and to undertake integration-critical challenges and ensure that in the process the company learns about itself.

Where any of these leadership challenges are fully embraced – particularly the first one about creating the new company from the top – the goal of a healthy merger will become less elusive.

IT Alert

We understand that councils may be receiving solicitations from software vendors who are pushing “realignment technology solutions”. GSUSA has not authorized any vendors to approach councils. For membership applications, we continue to suggest that councils merging in 2007 select a system that provides a low-cost interim solution that will sustain your processes until you move to CES. As a general rule it is a good idea to postpone major technology investment decisions until the consolidated requirements for the new council can be adequately assessed after the new council is formed.

April 2007 Start Date Group

Councils beginning realignment with an April 2007 start date (17 new councils comprised of 61 current councils) should expect a call from a Realignment Consultant in early January to check in with your new council group. We want to ensure that the April 13 – 15, 2007 training at Edith Macy Conference Center is customized not only to learn from the earlier realignment trainings, but that it also meets the specific needs of the entire group. The Realignment Team is also finalizing early February teleconferences that will be offered in preparation for the April training.

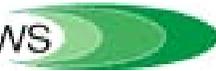
FASB

As mentioned in a previous *Realignment News*, we are attaching an advisory on the Financial Accounting Standards Board's (FASB), two Exposure Drafts on mergers and acquisitions by not-for-profit organizations. If you have any questions, please contact Cheryl Olson or Susana Guarino.

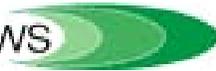
Q & A 

- 1. What are some of the considerations that should be discussed when choosing the “surviving council”?** **Answer:** First of all, remember that the “surviving corporation” is only a shell – the Tax ID number and Employer Identification Number. The first step is to secure a legal opinion with consideration being given to: due diligence, property or asset encumbrances, historical or landmark buildings, lawsuits, contracts, etc. Other considerations might be benefit package decisions, sharing responsibilities and equity in decision making.
- 2. Can you share a sample board resolution for offering the Voluntary Early Retirement Incentive Program?** **Answer:** Here is a sample resolution:

That the Board of Directors of _____ hereby resolve to offer the National Girl Scout Council Retirement Plan (Mutual of America) Voluntary Retirement Incentive Program to its employees as part of the realignment process. In the event that through the testing process, the council fails to pass the nondiscrimination test, highly compensated employees will not be able to participate in the Voluntary Retirement Incentive Program. The election period will begin on _____ and close on _____.



- 3. We've lost a CEO in our new council group and are wondering if we can change our start date for realignment? Answer:** Yes, you can change your start date to an earlier timeframe. Should there be a change in circumstances of the current councils, or upon reflection, the group feels that it is in the best interest of everyone involved for the realignment to happen sooner, GSUSA will move start dates to an earlier time. Contact Vicki Wright as soon as possible, so the adjustment can be made.
- 4. I've heard that some new council groups are considering transitional CEOs. Can you clarify what that means and the rationale? Answer:** In some cases, rather than hire a "permanent" CEO, new council groups are considering a "transition" CEO to get them through more of the integration work, and will then conduct a full search for a new CEO. *Careful consideration should be given to this option, as it has the potential for prolonging the sense of instability in the new council if permanent leadership is not in place quickly.* Transitional leadership should definitely be short term and not exceed one year.
- 5. How are the early adopters doing? Answer:** They are all working very hard to reach their target dates. The Girl Scouts of Central Indiana is the first to complete their merger votes and will start their new council January 2, 2006. The Girl Scouts of Eastern South Carolina and the Girl Scouts of Northeast Texas are set to have their final merger votes in January. Nationwide CEO searches are currently in process for three early adopter groups, another one will begin shortly, and the following new Council CEOs have been appointed:
- Deborah Hearn Smith, Girl Scouts of Central Indiana
 - Diane Nelson, Girl Scouts of Eastern Iowa and Western Illinois
 - Penny Cooper, Girl Scouts of South Carolina, Mountains to Midlands
 - Deborah Poindexter, Girl Scouts of Eastern South Carolina
- 6. We've been trying to get our CRC subcommittees started and it seems like a lot of work going on at the same time. Do you have any advice for us? Answer:** Yes, it is a large amount of work, but if your



Council Realignment Committee takes the time to develop a timeline, it will become apparent that all of the work does not need to take place at the same time. The work should be prioritized and phased, keeping in mind that the full integration will go beyond the start of the new council. Focus first on the governance, finance, communication and policy decisions that will require action by the council delegates. Keep it simple and make only the decisions needed to get the new council started.

7. I'm looking for some good reading over the holidays that might help me with our realignment work. Do you have any suggestions?

Answer: Here are some books that others have found helpful:

- *The Nonprofit Mergers Workbook: The Leader's Guide to Considering Negotiating, and Executing a Merger*, David La Piana
- *The Nonprofit Mergers Workbook, Part II: Unifying the Organization after a Merger*, David La Piana
- *Crucial Conversations: Tools for Talking When Stakes are High*, Kerry Patterson, John Grenny, Al Switzer, Ron McMillan
- *Crucial Confrontations: Tools for Resolving Broken Promises, Violated Expectations and Bad Behavior*, Kerry Patterson, John Grenny, Al Switzer, Ron McMillan, Tom Peters
- *Managing Transition: Making the Most of Change*, William Bridges
- *Beyond Change Management, Advanced Strategies for Today's Transformational Leaders*, Anderson and Anderson
- *Organizational Transitions: Managing Complex Change*, Richard Beckhard, Reuben T. Harris – Addison Wesley OD Series
- *Seven Measures of Success: What Remarkable Associations Do That Others Don't*, ASAE and the Center for Association Leadership