Association Alliances, Partnerships and Mergers

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Member Base Drivers

- Industry Consolidation
  - As member companies consolidate, membership drops; scope of member needs expands

- Association Overlap
  - Competition for members
  - Competing programs

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Operational Drivers

- Financial and Programmatic Pressures
  - Need for efficiency, greater leverage
  - Need to fill programmatic or expertise gaps

- Consolidation of Chapters/Affiliates

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Moving Forward - Options

- Program Collaboration
  - Examples:
    - Joint Trade Show
    - Joint Publications
- Shared Space and Resources
  - Co-location
  - Shared Staffing
- Acquisition of Program or Division
- Asset Transfer
- Full Merger

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Moving Forward - Options

From the beginning, assess organizational willingness and need

- Program collaboration and shared space arrangements are contractual
- Asset transfers – approval of dissolving entity, limited assets transfer
- Mergers – approval of both entities, all assets transfer

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Gap Analysis

- Determining how to combine or collaborate should be driven by an analysis of what's driving the organization.

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Gap Analysis/Getting Started

- Get a clear handle on your overall financial position and trends; historic and projected overall and by program
- Honestly assess your ability to deliver competitive value in core and non-core areas with existing resources
- Assess/benchmark your non-profit and for-profit competition-this is public information for the most pa
- Perform a “gap analysis” –what would it take (activities, time and $) to bridge the gaps to create ar sustain member/customer value in each core and non- core area? At what cost to core mission and among competing priorities?

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Case Study
American College of Radiology & American Roentgen Ray Society

- "SIM" = Going Steady, May Marry
  - Review ACR and ARRS courtship
  - Highlight key points of collaboration
  - Successes, challenges & a look ahead

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“How We Got Here”

- Venerable, proud physician organizations
- Distinct histories, cultures
- Initial interest in merger: 2003
- Amicable parting: 2004 – not right fit
- Revived discussions: 2007

Why Now?

- What changed?
- Mutual interest in ‘core pillars’ of education, research
- Finances

  - Mission & margin!

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Why a SIM?

- Organizations sought flexibility
- ARRS wanted to keep corporate identity
- Both unwilling to commit to full asset merger (though ARRS assets did transfer to ACR)
- SIM was interim option while leaders evaluate

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Toward a SIM

- Coordinated due diligence
- 2008 – signed MOU as “pre-nup”
- 2009: Governing bodies & membership authorized
- Chairs signed “implementation agreement”
- SIM official on July 1, 2009

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So What is this SIM?!

- ARRS remains a legally separate entity – but to become an ACR component
- ARRS keeps own building for identity, tax savings
- Retains its Executive Council with its own officers
- Both have members on other’s governing body
- Executive Council controls ARRS budget, subject to ACR Board final approval

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SIM

- ARRS employees became ACR employees
- Each society keeps own membership categories, member benefits & bylaws – for now
- Both organizations keep own dues structure
- ARRS is sole educational arm as of May 2010

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Successes, Challenges

- Cost savings via merged operations
- Strengthens voice of radiology
- Helps consolidate radiology societies (50+)
- Growing pains - honoring history & culture
- Disparate AMS; communication snags

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What’s Next for Relationship?

- Explore joint dues, dual membership discount
- Co-branded education products – only for dual members
- ARRS as essential part of integrated org: “Bigger, Stronger – And Better Together”

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Tips

- Culture trumps all!
- Exercise patience & perseverance
- Have a plan – and execute it!
- Push teamwork for great member service
- Communicate early and often w/ members

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Starting the Search

- Engage your paid and volunteer leaders in this exercise. This should be an on-going exercise and not one-time crisis driven. Take out the drama.
- Identify natural alliances (nonprofit and for profit) from a core and non-core program not based primarily on social relationships-although these help!
- Prioritize based on financial and mission critical gaps. Be prepared to move on multiple fronts. Deals have a life of their own and only tend to happen when there are mutual “pain points” that can no longer be ignored and a perceived “win-win”.

Begin the Discussion

- CEO with Board approval should take the lead to initiate discussions and/or respond to overtures
- Non-disclosure agreements with teeth should be exchanged
- Broad objectives for both parties should be developed and mutually endorsed
- What are we trying to achieve programmatically and financially?
- Over what time frame?

Answer the Hard Questions First

- What does success look like on both sides?
- What/Who are the obvious road blocks and deal killers?
- Who must support this to be successful?
- Be realistic: Will we have a new core customer and staffing profile if this combination takes place?

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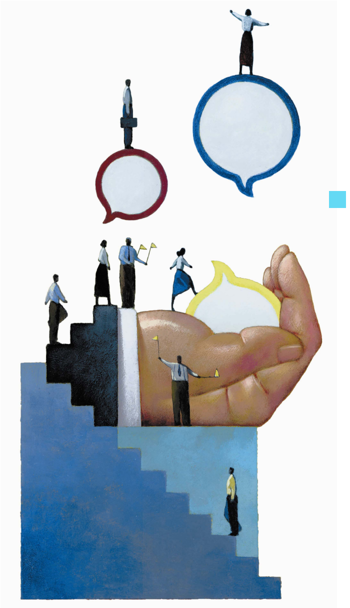
Moving Forward

- Develop a basic Memorandum of Understanding (MOU) to guide the process and have it endorsed by both boards
- Disclose up-front if negotiating with other parties at what point in the process and under what circumstances you will commit to go forward with one deal
- Form a small due diligence team (internal and outside advisors) to cover the basic legal, financial, HR, IT, membership, communications aspects of the potential merger/alliance
- Have this team and both boards and senior management teams sign a non-disclosure agreement to support confidentiality with potential removal as a consequence of unauthorized disclosures



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Building for Success

- In most association deals or alliances you are acquiring people expertise, intellectual property and a revenue model supporting a market or brand position. So you must have:
  - A succession plan and talent depth chart that supports the ability (or inability) to retain the member/customer and revenue stream over the long-term
  - A real understanding of your partner's member/customer value proposition and how/if it is likely to change based on the deal or alliance

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Building Buy-In /Avoiding Deal Breakers

- Staffing Coordination
- Member Communications
- Coordinated Communications
  - Particularly where there is overlapping membership
- Understand and Address Cultural Issues

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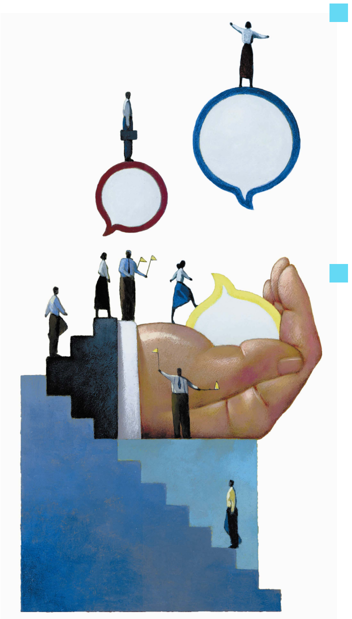
Win-Win is Rare- Why?

- Unrealistic Expectations-To "sell" the deal it is natural to try and convince members, staff and volunteers that they can go on as they have always done but if they could you would not be doing a deal in the first place
- Delays-Things always take longer than you think. Deals run out of gas.
- Power Struggle-What is in the best interest of the organizations' mission and what is in the best interest of some leaders is usually in conflict
- Poor/Inconsistent Communication-People hate change and some will attack any idea to change the status quo actively or in a passive-aggressive manner



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Questions And Discussion

SEE YOU NEXT YEAR!
Annual Meeting & Expo
August 6-9, 2011
St. Louis, MO

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