Chicago Rebuilding Exchange and Evanston Rebuilding Warehouse merged to create a new organization with more opportunities.

Social Enterprise Merger for Greater Impact

Two medium sized social enterprises that operate at the nexus of environmental sustainability and workforce development merged. The result was a new organization that was more competitive for grants and contracts and a more effective workforce development program.

Mission Sustainability Initiative

Exploring & Supporting Collaboration

Sustained Collaboration Type

Merger

MSI Grant Types

Exploration & Implementation

Collaboration Process Timeline

2019 - 2021

Partners

Chicago Rebuilding Exchange
Evanston Rebuilding Warehouse

Outcomes

More workforce and environmental impact through merger.

Able to attract larger grant because they became a larger organization.

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Many merger case studies

focus on big ($10+ million) nonprofit organizations. But there are fewer examples of how medium-sized social enterprises can effectively navigate a merger.

At least that's what Aina Gutierrez, Executive Director of the Rebuilding Exchange, found when she considered her first merger. Even though she operated without a clear playbook, her collaborative process and substantial technical assistance helped the Evanston Rebuilding Warehouse and the Chicago Rebuilding Exchange merger succeed.

After the founder transitioned, Gutierrez was hired as the executive director of the Evanston Rebuilding Warehouse in 2018. At the end of 2018, the Chicago Rebuilding Exchange executive director left, and Julian Preston, the store director, was promoted to interim executive director. Gutierrez recalled that first meeting:

> "We met at the beginning, I think, in February or March 2019. I had heard Kelly [executive director of the Chicago Rebuilding Exchange] had left, and he was in this role. I wanted to get to know him. We had a drink with bites, and I asked him, 'Now, you're in this role, what do you think the Rebuilding Exchange could be?'
>
> At that point, I'd been about a year in, and honestly, it was a difficult year—the first year after a founder. It is difficult to transition from a founder-led organization to an executive director. I finally had my feet under me and could think about 'What's next? What's my vision for this organization?'

> "Would it make sense for us to think more strategically about what it meant to work together?"

> And what he described as his vision for the Rebuilding Exchange was essentially my vision for the Evanston Rebuilding Warehouse. We were both new. We had no sense of history, politics, or anything that would keep the organizations from doing things differently. At the end of our meeting, I wondered, 'Why are we separate? How did these organizations start? And how did they get here? And would it make sense for us to think more strategically about what it meant to work together?' So that was the very beginning."

Keeping an Open Mind

The two organizations applied and received an exploratory grant from the Mission Sustainability Initiative, a member of the Sustained Collaboration Network. They hired Lauri Alpern, founder of Open-Door Advisors. The outcome was open, with possibilities of a formal strategic partnership or a merger on the table. Gutierrez reflected that it was essential to be “open to any outcome . . . We tried to go in every meeting with not having any preconceived notion of what we thought the results should be.” Elizabeth Schuh, then board member of Rebuilding Exchange, also tried to have an open mind, “while some of those business lines were a little bit different, the mission of the organizations and the integration of workforce with that mission were very similar. There was a lot of potential overlap in terms of who they were trying to serve and who their customers were. So, it was seen as a good fit to at least evaluate whether or not they should come together.”

> The merger goals were better financial stability and growth, more significant impact of the workforce development program, greater market penetration, and brand recognition.

In the proposal, Lauri laid out three phases of work: (1) assessing the current state of each organization, (2) business planning and people and capacity planning, and (3) design. In the first process, she designed systematically walked through each of the core areas of the organizations together. She explains,

> “Our aim was to take stock of the organizations individually and collectively for a few different purposes. Number one was getting the boards and staff acquainted with each other. Number two was really to understand the state of each organization and five key areas: strategy, workforce development, talent, board governance, and financial sustainability. Those five areas seem to represent the core areas of strategic operations and viability for nonprofit social enterprises operating workforce development programs. And so, we engaged in a process with a joint committee of the boards of both organizations to begin them.”

At the end of those meetings, in December 2019, the final draft of the State of the Organizations report was completed. In short, the report summarized: “Key indicators suggest that the organization should pursue a merger rather than a more

limited or gradual form of strategic collaboration. The indicators include shared mission, strong cultural alignment, potential for leadership integration, synergies for financial consolidation, and benefits from the sales/market and program alliances." The merger goals were better financial stability and growth, more significant impact of the workforce development program, greater market penetration, and brand recognition.

Building a New Organization out of Two

In January 2020, the two organizations decided to move forward with exploring a merger. Both boards approved an intent to merge and sought independent pro-bono legal representation to draft a merger statement. They again applied for and received a grant from the Mission Sustainability Initiative.

The integration grant focused on a shared strategic plan for the organizations and developing a shared CRM for marketing, event planning, and financial analysis. Again, the group hired Lauri Alpern to work on the strategic plan and Farah Charania, Principal Consultant at Signiforce for Salesforce Development.

But 2020, of course, was also the year of COVID-19 closures. Both businesses closed briefly, and they hit pause on the merger. As an essential business, the Evanston Rebuilding Warehouse was fully operational again by August 2020. The Rebuilding Exchange was operational shortly after. Gutierrez remarked at that point that they decided just to keep going.

This time, the joint board worked on three committees: programs, finance, and fundraising. Both boards worked out a plan for integration that would become a shared strategic plan for the new organization once the merger was complete.

To learn more about the Mission Sustainability Initiative, visit myforefront.org/msi or email msi@myforefront.org.

Sustained Collaboration Network

This case study was produced for the Sustained Collaboration Network by Michelle Shumate, Ph.D. of Social Impact Consulting.

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