

# **Futures Forward: The Merger of Philadelphia Futures and White-Williams Scholars**

Joan C. Mazzotti 23 January 2013

Two organizations. Two offices. Two staffs. Two histories. One purpose: to help Philadelphia's low-income, high-achieving high school students reach their dream of college and careers.

While many in the community viewed White-Williams Scholars and Philadelphia Futures as two well-established, effective nonprofits doing good work, we were, in fact, competitors. We were competing for attention in the schools, recognition for our work and decreasing charitable dollars.

On July 1, 2011, White-Williams Scholars and Philadelphia Futures merged. Today we are known as Philadelphia Futures: A Union of White-Williams Scholars and Philadelphia Futures.

An Internet search for articles about nonprofit mergers yields many descriptions and analyses of failed mergers. But the merger of Philadelphia Futures and White-Williams Scholars defied the odds. In just 14 months we

went from the first exploratory conversations between members of the two boards to successfully closing the transaction. It has been an exciting journey.

## **Two Rich Legacies**

Although the missions of Philadelphia Futures and White-Williams Scholars were almost identical, our service delivery models were very different.

White-Williams Scholars is one of the oldest public charities in the United States, with more than 200 years of service to the youth of Philadelphia. It has a long and highly-regarded reputation of providing low-income students with the financial resources necessary to support their academic goals while in high school. In 2005, White-Williams Scholars made the decision to expand the scope of its services and launched College Connection, which added academic support and college guidance to augment the financial stipends provided to students. Since 1995, White-Williams Scholars has also administered the Charles E. Ellis Trust for Girls, which annually distributes more than \$1.2 million to support educational and personal development opportunities for low-income girls living in single-parent households.

Since 1989, Philadelphia Futures has been driven by the belief that children raised in urban poverty can transform their lives through the power of education. Philadelphia Futures' centerpiece college access and success

program, Sponsor-A-Scholar (SAS), has a more than 20-year record of supporting low-income Philadelphia students on the journey to —and through — college. Unique among college access programs, Philadelphia Futures delivers services to students beginning in ninth grade and continuing through college completion. During high school, we provide students with deep, intensive and long-term services, including academic enrichment, college guidance, ongoing staff support and one-on-one mentoring. Students also receive \$6,000 for college-related expenses, and staff support continues throughout college.

Philadelphia Futures also has developed programs and services aimed to increase college access and success for a broad range of students including, (1) collaborating with other organizations to manage and administer scholarship and awards programs and (2) annually publishing and distributing *Step Up to College: Philadelphia's Guide to the College Preparation, Application, Admissions and Financial Aid Processes*.

Prior to the merger, White-Williams Scholars had 13 employees and an annual budget of \$1.6 million; Philadelphia Futures had 17 employees and an annual budget of \$1.9 million.

## **The Rationale for the Merger**

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Because both organizations came to the transaction from a position of strength, ours was a merger of mission and purpose, rather than economic necessity.

The vision for our merger was about growth and impact, as well as leveraging resources and expertise. Both organizations wanted to grow the number of students they served and increase the depth of services provided. The two boards of directors believed that a merger was a far more effective and cost-efficient way of achieving these goals than growing organically and independently.

The boards also clearly recognized the increasing competition for decreasing philanthropic dollars. In addition, public funding was on the decline, which would directly or indirectly impact all nonprofit organizations. A merger would allow the organizations to not only share resources and expertise but would also reduce "back of the house" costs. The boards' vision was that, together, we would be the premier provider of college preparation and retention services for Philadelphia's students.

In terms of organizational leadership, the time was right for a merger: the longtime executive director of White-Williams Scholars had recently resigned her position, and the board was just beginning the search for a new director.

## **The Process**

The process began with confidential, exploratory discussions among a very small number of directors from each organization. I participated in those discussions. Once the small group was comfortable that there was alignment in mission and approach, the boards were briefed.

The boards agreed unanimously to pursue more formal negotiations, and each appointed a transaction committee to represent them in the negotiations. Each party also hired counsel to draft the agreements and handle the legal work attendant to a merger. At this point the parties engaged in a robust due diligence process, as each party needed to fully understand the liabilities of the other, for once the transaction closed there would be no recourse.

The next step was to reach agreement on the key business terms. It was critically important to both boards that the negotiations continue to be confidential. We wanted to ensure a meeting of the minds on the key business points before the potential merger was introduced to our staffs, funders and partners.

In our case the fundamental business terms that needed to be negotiated and agreed upon included the following:

- *The organization's name.* We agreed that the organization's name would be Philadelphia Futures. However, the great legacy of the White-Williams Scholars name was important to both parties, and we

decided to feature it as a key component of the services we provide.

- *The corporate entity that would survive.* It was agreed that the White-Williams Scholars corporate entity would survive. This decision made the most sense from a legal perspective, and we all were honored to be a part of an organization with roots in the early 19th century.
- *The composition of the board.* We decided to simply merge the two boards. Other issues regarding board governance were deferred until the strategic planning process began, following the close of the merger.

Once we had agreed on the business terms, the parties executed a letter of intent and a carefully-orchestrated public announcement was made. We advised our staffs simultaneously and then we immediately began the process of outreach to key funders and partners, and to hundreds of donors, volunteers and other stakeholders. Five months after the letter of intent was signed, the merger agreement was executed. The merger agreement set forth the legal framework for the transaction and the business terms. We jointly prepared for the closing of the transaction, which took place at midnight on July 1, 2011—the first day of the new fiscal year.

Although we did not hire a consultant to facilitate the merger, we did utilize three external resources:

- Each organization retained outside counsel to

represent it in the process.

- We jointly hired a communications firm to help us share our message with both internal and external audiences.
- A human resources specialist was brought on to support us during the transition.

## **Post-Merger Work**

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Immediately following the merger, there was much work to be done. While simultaneously running the newly-merged organization and maintaining the quality of our programming, our respective infrastructure had to be combined. Everything, including our staffs, employee benefits, offices, computer systems, bank accounts and development efforts had to be integrated. I often comment that immediately following the merger we were a bit like Noah's Ark - we had two of everything.

The biggest undertaking post-merger was the start of our comprehensive strategic planning process in September 2011. A new Strategic Plan was necessary to fully operationalize the merger and leverage its increased opportunity. During the nine-month strategic planning process, we solicited the views of more than 150 stakeholders. The Plan was approved by the board in July 2012.

# **Our Plan for the Future**

The Strategic Plan that emerged brought priorities into sharp focus for our new organization, and will inform operations and year-to-year planning as we move forward.

Our Strategic Plan articulates the combined organization's mission, vision, guiding principle and core values. Our goals are clearly identified, and how we will meet those goals is also clearly defined. The Plan sets out a robust combination of proven and new programs and services to carry out the organization's objectives.

## **Why Our Merger Succeeded**

It has been 18 months since our transaction closed, and we are seeing the vision for the merger realized. I believe the key factors in the success of the transaction were the efficiency and collaborative spirit with which both parties approached the merger, motivated by a shared goal of positioning Philadelphia's students for a bright future. There is no doubt that the merger between White-Williams Scholars and Philadelphia Futures was a bold move by the organizations' leadership. While many nonprofit organizations consider such a move, the fear of change, institutional ego and the inertia of one's own success often tend to create obstacles that cannot be overcome. The boards of White-Williams and Philadelphia Futures had the vision to see beyond potential barriers

and challenges and possessed the courage to act. They recognized that the combined organization would be stronger than the sum of its parts.

## **Author Bio**

Joan C. Mazzotti is the Executive Director of Philadelphia Futures, a non-profit organization that provides low-income, first-generation-to-college students with the tools, resources and opportunities necessary for admission to and success in college. In her role as Executive Director, Mazzotti is responsible for setting the vision and direction for Philadelphia Futures. In 2011, she oversaw the merger between Philadelphia Futures and White-Williams Scholars, bringing together the resources and expertise of two highly-effective organizations serving low-income students in Philadelphia.

Mazzotti joined Philadelphia Futures in 2000 as its Executive Director after a career of 23 years practicing law at ARAMARK Corporation. At ARAMARK, Mazzotti held the position of Senior Vice President and Chief Legal Counsel of ARAMARK's Food and Support Services Group, then a \$5.3 billion operating segment of the Company. She managed a department of 20 with a budget over \$4 million, providing comprehensive legal services.

In June 2002, Mazzotti ended a four-year term as Chair of the Board of Trustees of Rider University. She remained a

Member of the Board and chaired the Development Committee of the Board until June 2005. In October 2005, The Manhattan Institute awarded Mazzotti its Social Entrepreneurship Award, which recognizes nonprofit executives whose organizations are providing innovative, private solutions for America's most pressing social problems. In 2008, Mazzotti received Rider University's Gordon E. Prichard Alumni Award for Volunteer Service, and in 2010 Mazzotti received the Good Neighbor Award from State Farm Insurance.

Mazzotti holds a J.D., from Villanova University, School of Law and an A.B., Political Science from Rider University. She is married, lives in Haverford, Pennsylvania, and has one son, a senior at Johns Hopkins University.