IV. UCP SEGUIN CHICAGO

United Cerebral Palsy ($8–9m budget) Merges with Seguin Services ($27m budget), creating UCP Seguin Chicago (2013)

The merger also created and spun off a third organization, UCP Seguin Foundation of Greater Chicago ($4m assets). Service area includes Cook and DuPage Counties. Through a subsidiary, Infinitec, the organization also provides services to 2 million students in 1,000 school districts in Illinois and four other states.

Industry

Disability services, including residential housing, in-home services, training, foster care, consulting services, and income-generating enterprises that offer employment.

Mission

Both organizations serve the age spectrum of people with intellectual and developmental disabilities. Together, their new mission statement became, "…a world where children and adults with disabilities achieve their potential, advance their independence and act as full members of the community. We strive to make this world a reality — in Illinois and beyond, for people at every stage of life — by providing training and education programs infused with technology, family support, employment and life-skills training, and residential services."

Significance

Strategic Growth and Building Trust

Strategic growth based on trading competencies and resources enabled the new UCP Seguin to substantially increase its size and services. Trust-building among leaders, boards, and staff began in the pre-merger stage and extended over four years to eventual merger. UCP Seguin attained greater efficiencies, increased services, and better quality outcomes.

Background

The two organizations shared a common mission of service to the disabled. Parents in Chicago's western suburbs founded Seguin Services in 1949 to address the lack of public education options and care models for special needs children. United Cerebral Palsy Chicago began in 1951, part of a national federation founded in 1949. UCP started by addressing the needs of children and adults with cerebral palsy, a mission that expanded to "serve all people with physical and cognitive disabilities, especially the economically disadvantaged." UCP National works to advance the independence, productivity, and full citizenship of people with disabilities through affiliates such as Chicago.

The merged organization's mission reflects a common philosophy and shared values: "UCP Seguin believes in a world where children and adults with disabilities achieve their potential, advance their independence, and act as full members of the community. We strive to make this world a reality—in Illinois and beyond—for people at every stage of life by leveraging technology to provide innovative training and education programs, family support, employment and life skills training, residential services, and children's foster care."

The organizations shared a history of innovative and entrepreneurial programming. In the 1970s, Seguin Services redesigned its residential programs to emphasize community integration and family-like home environments through Community Integrated Living Arrangements (CILA) group homes. It pioneered in-home supportive services based on levels of support needed for adults and those with dementia. In the 1980s, Seguin became the first Illinois provider to provide community-inclusive employment, offering job and life-skills training for the disabled. In the 1990s, it entered foster care, helping find homes for abused and neglected children with special needs. In 2009, Seguin began Building Bridges, now a collaborative of UCP Seguin, as the lead provider for transitioning young people from special education into adult services.

Like other UCP affiliates, UCP Chicago offered a range of services to the disabled. In the 1990s, UCP Chicago launched Infinitec, a multistate venture to provide inclusion and independence for children and adults through the use of integrated technology and access to equipment, information, and training. Infinitec, whose income-generating services are much in demand by school districts needing professional training and services today, serves nearly 1,000 school districts spread across five states.

Pre-Merger

Paul Dulle, CEO/President of UCP (1993–2013), informed his board in 2009 of his future retirement plans. In response, board members proposed to engage an outside search firm to find his replacement. Dulle dissuaded them from this. "We are about creating new wealth by sharing partnerships," he told them. "Rather than fighting one another over a piece of the fiscal pie that's available from state government or local foundations, we have always maximized resources, built partnerships." When asked by board members what he recommended, Dulle responded, "I think we should look for somebody to merge with who brings something we don't have to the table, and we provide something they don't have." What began as a succession discussion blossomed over time into a merger conversation.

UCP had been through earlier mergers and had come close to merging with Easter Seals/DuPage County. It had a robust, high profile status and ample resources (largely restricted for capital facilities) given by a generous Chicago philanthropist. With the board supportive of a partnership collaboration, UCP turned to Seguin and its leader, John Voit, after brief discussions with another organization. UCP had partnered earlier with Seguin and was familiar with its leaders, programs, and services. As Dulle recalls of their first meeting, "We sat down with John, told him our story, that we were aiming to change leadership in the best way we could, which was to create new wealth by sharing our partnerships—merging." UCP Board Chair Roger Hughes was also in on early discussions. Hughes observed, "How each of us went about our mission might have been different, but what was very common in all of this was shared values, and the understanding that there is a mission to be served."

Merger Process

The journey from discussion and collaboration to actual merger would involve a long, drawn-out process with several stops and starts along the way. The two groups were several years into discussion before setting up an Exploratory Committee composed of members from both boards. Collaboration started at the staff level, where staff from both organizations were encouraged to interact with their counterparts and to learn about one another's programs. They found little or no duplication except at training levels. As Voit noted, "We learned a lot from each other." The development departments found no overlap of grants and funding. Auditors produced pro forma financials so that each board could see how the two organizations compared and the prospective benefits of their combined leverage.

Both organizations were financially healthy and well run. The costs of their respective programs and overhead were compared and contrasted. UCP had been celebrated in a *Chicago Magazine* article featuring local charities with the lowest overhead costs. Both also had high ratings from charitable watchdog organizations.

Having dealt with issues of financial health and stability, Dulle and Voit sought to remove staff "merger fear," assuring staff that should a merger occur, no one would be laid off or lose compensation or benefits. Dulle and Voit notified funders of their discussions, asking foundations such as the Chicago Community Trust and the Coleman Foundation for assistance with merger expenses. They kept Illinois state agencies in the merger loop and were open to guidance they might offer.

Dulle and Voit had much in common. Besides sharing extensive operational experiences, both approached partnering from a strategic perspective based on industry dynamics and growth. As a result, both organizations embraced the strategic purpose of their combination—trading competencies and resources. UCP had technology, buildings, land, and access to DuPage County. Seguin had housing, job training, and residential services. As Voit put it, “UCP had much cash and real estate; we had programs and services.”

Demographics were working in their favor. As Voit noted, “An estimated 10,000 baby boomers are becoming eligible for Social Security each day, and roughly 1.5 percent of them fit into various disability categories.” Together, UCP and Seguin had “roofs and technology” to serve aging populations at various stages of disability, both mental and physical. They also offered significant costs advantages in partnering with state government. “It costs the State of Illinois somewhere between $150,000 to $200,000 annually to institutionalize people,” noted Voit. “We can do it for half the cost, combining home services, housing, and technology.” (Illinois ranks near the top of states in institutionalized care costs.)

Both boards were very deliberate in working through the partnership process before committing to merger. Dulle and Hughes believed that to keep the process moving, they had help the staff to overcome their fear. They addressed the issue of merging two cultures. “No two cultures are ever the same,” observed Dulle, “so you make things work... the people part is really the important thing.” A merger committee was constituted with members from both boards. They met at least six times over the next two years. The message, according to Board Chair Hughes, was that merger is based on opportunity. The merger became more compelling when Hull House declared bankruptcy in 2012 and other human service providers went out of business. The opportunity: this partnership and merger could develop into “something bigger and better.”

Trust Building

“Fear and trust are really tied along the same continuum… . It is trust that pulls people out of the fear base,” Dulle observed, “and that’s powerful.” Having taken steps to remove staff merger fears, the board chairs built support for the merger among their boards. “This is the right organization, the right people, and right thing to do,” noted Hughes. “If the leadership trusts, the rest will eventually get there. If leadership doesn’t trust, [board members] will find all kinds of ways to scuttle the deal.” After first meeting Voit, had some initial conversations with his CEO, Dulle. Hughes recalls, “I asked him two questions: (1) Is this the right guy [to run the merged organization]? and (2) Is this the right organization with which to merge?” Dulle convinced his chair of both. Once assured, Hughes became the merger’s principal advocate.

Bringing board members along was not easy. Hughes recalls that some brought up "nitty natty warts," issue-by-issue considerations, large and small. He and his counterpart, Don Bartecki of Seguin, were well versed in corporate mergers. All dealings between the two organizations were transparent. Information was readily made available. Some board members were persuaded to support the merger, but others were not convinced. Hughes observed, "These were good people who had been with us in our darkest days." Sadly, "We could not win them over, so they left."

Merger Issues

The lengthy merger process produced a series of agreements that covered everything from staff levels and assets to board composition. Two major issues required resolution. The first was what to do with the sizeable wealth that UCP had accumulated. The amount, estimated to be between $4–6 million in assets, had been raised by legacies for specified purposes. Some members objected to these assets being rolled into the new organization, especially since much had been invested in Infinitec. The second question was what to do with Infinitec, UCP's flagship program. Did Infinitec belong with the merged organization, or should it be spun off as a separate for-profit or nonprofit entity? As Hughes recalls, some UCP board members were concerned that Infinitec might "be lost in the merger." Discussion turned on how to protect it and make sure it would grow, and the decision was made to keep it in the UCP Seguin fold.

On the first question, it was decided to create a foundation separate from UCP Seguin, seeded with $4 million. Paul Dulle, outgoing CEO/Chair of UCP, became the first President of the UCP Seguin Foundation of Greater Chicago. The foundation would provide support for UCP Seguin and other organizations that shared its mission of creating life without limits for people with disabilities.

Post-Merger

UCP Seguin established committees to look at all aspects of post-merger operations. Regarding the composition of the new board, the CEOs and board chairs agreed that a combined board of 28 to 30 members would be too large. The leaders moved to have representation on a new 16-member board based on "board service" (those who were strongest supporters of mission and board activities), and they balanced that with board representation on the new UCP Seguin Foundation Board. Board members were sorted out between the operational board and the fund-raising board based on their skill, with encouragement from the respective board chairs.

What to call the newly merged organization was not an issue. United Cerebral Palsy had greater name/brand recognition than Seguin, but Seguin was larger. When top ten industry names were mentioned—Misericordia Home, Goodwill Industries, and Easter

Seals—UCP ranked well among them. Thus it was decided that United Cerebral Palsy and Seguin should become UCP Seguin.

This merger of equals was complicated by a technicality related to the State of Illinois payments system, concerning UCP's Federal Employer Identification Number. When this technicality threatened to delay reimbursement payments during the post-merger period, the amicable decision was made to of all the legal choices available to the partners to connect the organizations, simply merge UCP into Seguin to get state payments reinstated. Otherwise, there were no reported post-merger surprises. "We were two healthy organizations, both at the right time in their histories when they could take on a merger partner," says Dulle. "Whether they merged into us or we merged into them was not the issue. The point is that we put our resources together and created something better."

Takeaways

Paul Dulle, UCP CEO, offered advice to boards and organizations considering a merger. "First, have the heart to do this. All the business pieces might be in place, but if you don't have heart, it is not going anywhere." He also advised leaders to surround themselves with those who are going to make it work. Two respected board chairs—Hughes and Bartecki—kept the process moving. "The merger probably would have happened had they not been so supportive," he observed, "but their advocacy made it happen quicker and more smoothly."

The most important takeaway from the case, according to Dulle, was "trust, trust, and more trust." Be inclusive and transparent with all stakeholders. Dulle concluded, "Trust overcomes fear, which is the biggest impediment to change and to a merger."

Three years following the merger, the organization's revenues exceeded $43 million, a 14 percent increase. Net assets for the period were $23 million and, when combined for both organizations, significantly strengthened their balance sheets and cash reserves. They would be better able to confront future cash and funding challenges. All programs have grown substantially: Children's Foster Care up more than 50 percent, residential up 13 percent, home- based care up over 100 percent, day services up by 60 percent, and work services up by 22 percent.

At a look back during a recent breakfast session, three years following the merger, Voit, Dulle, and Hughes agreed together that the future for UCP Seguin is very bright. They had "done the right thing."