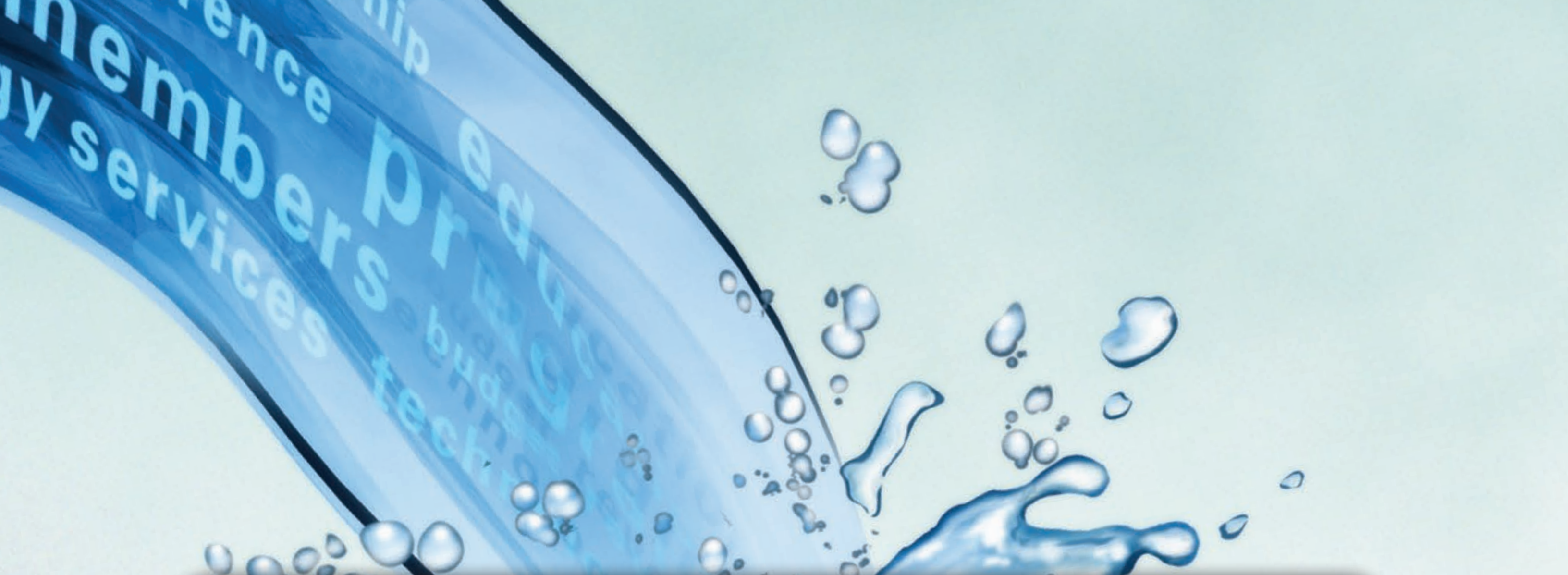


Elements of a Successful Merger

Recessions change businesses, forcing them to cut costs, change philosophies, or alter their structures to stay afloat. Often this means acquiring, merging, or cooperating with other companies to remain viable.

By Jerry Matthews

Associations face the same challenges: pressures of inconsistent revenue, changing member needs, growing consumer demands, and evolving technology. All of these factors are forcing them to consider options for better serving their members, including consolidation.

Consolidation does not just mean merger. There are several ways to combine structures and core competencies to increase effectiveness. In my experience, there are five major unification models—absorption, merger, overlay, alliance, and cooperation—any one of which can create synergy depending on local nuances (see chart, p. 15). But for the purpose of this article, I will focus on what elements make mergers successful.

What is a merger? Why merge?

A merger is more than the combining of separate associations to create a new entity. It's also a delicate dance of ideals, problems, fears, solutions, egos, visions, and hard facts.

The goal of a merger is to become larger and significantly better. Clearly, a larger membership base results in greater resources to provide professional and meaningful services (as most associations found when their membership ranks swelled during the most recent real estate boom).

The main benefits of unification are increased number and quality of services, lower direct and indirect costs, stabilized or lowered member dues, more external political and media clout, increased influence of professionalism, a regional presence, and better overall member value.

As a REALTOR® AE for 27 years, I had a lot of consolidation experience. Now, as an adviser with the NATIONAL ASSOCIATION OF REALTORS®' newest programs to assist associations in mergers and consolidations, I've worked with three associations in the Denver metro area that are unifying to create the largest association in Colorado, with 5,500 members. I also facilitated the consolidation of four associations in western North Carolina. From the beginning, both groups had a vision for creating a more robust organization with expanded benefits for members in every area. They are now in the final stages of due diligence.

Steps toward merging

Although a clear process and procedure for a merger is vital, successfully merging often hinges upon many intangible, and sometimes emotional, factors. Each merger has unique structures, governance protocols, documents, budgets, staff considerations, program priorities, and more to consider. An otherwise perfect process can be sunk at any time by a small emotional issue. As one AE said, "It is all about the members—officers, past leaders, and even I have to put personal feelings aside for what is best for the members."

There are six key issues that, if not resolved in the beginning, have the potential to destroy any merger effort. They are: REALTOR® leadership concerns, AE career concerns, facilities, financial disparities, MLS issues, and impartial facilitation. Sadly, I know of many unifications that came to a halt after months of effort because of just one of these issues.

Six elements in-depth

REALTOR® leadership disputes and challenges normally focus on loss of image, not becoming president of the current association, disagreement over the name of the new entity, cultural differences (sometimes ethnic makeup or socioeconomic disparity), community projects (i.e., pet projects), as well as a host of smaller issues we can simply call "politics."

AE concerns are more in the realm of job loss, career damage, compensation, employment agreements, and due process. (*See "Your Career," page 20 for more.*)

Facility issues typically center on keeping or liquidating buildings, deciding in which previous association's jurisdiction the new headquarters should be located, and determining whether a new building for the entity should be rented or constructed. These issues are laced with emotion and history that may not become apparent until the decision is actually on the table.

Financial challenges occur on budgeting philosophies, reserves, liabilities, and the current status. If the participating associations each have an MLS, then ownership structure must be resolved, including revenue distribution.

Finding merger help

With such sensitivity surrounding both small and large issues, keeping the merger process focused and balanced is a challenge. Some mergers can take mere months, others may take years, and then there are those that can fall apart after significant amounts of time and money are invested.

Obtaining the services of an impartial facilitator multiplies the odds of success, taking the pressure off of either association to lead the overall effort (and assume any bias in the process). As one president involved in a merger said, "With his vision and expertise, the facilitator assisted us to clarify our thought process and identify obstacles, which allowed us to focus on our goals."

In today's changed real estate industry, the diverse pressures for creative solutions make new structures an attractive answer for associations to better serve their members and ensure continued relevance.

Determining whether a merger is right for your organization starts with candid discussions about how to best serve your members and ensure the continued influence of the REALTOR® organization in your area. ■

See more merger data on pages 14–15.

Why We Merged *AE survey results*

Last June, Jerry Mathews sent a survey to every local REALTOR® association executive requesting a response if they had participated in a consolidation in the past seven years. Here are some AE responses.

What were the most positive results of your merger?

- "Critical mass, greater political influence, larger pool of leaders."
- "Services increased and costs decreased for the members."
- "Dues stability—dues have not increased since merger."
- "Bringing two groups together in a single region for the good of the industry and a stronger REALTOR® voice."
- "More programs, communications, and membership benefits."
- "Increased numbers and combined staff talent pool has allowed greater advances in member services, especially education, training, and help desk."
- "Economies of scale allowing two of the smaller association participants to maintain community presence under the larger umbrella."
- "A professional staff."
- "Many of the firms that were most outspokenly negative toward the merger are now the most outspokenly positive."

The six most common reasons for consolidating associations:

1. Cost savings in combined internal administration.
2. Elimination of duplications of processes for members in multiple associations.
3. Better communications capabilities, methods, and platforms.
4. Perceived increase in value of the larger association to the member.
5. Increase in the quality of programs, products, and services.
6. Ability to move quickly on new ideas and concepts.

REALTOR® Association Mergers: 2000-2010

Total mergers per year:

2010	8
2009	12
2008	3
2007	1
2006	2
2005	3
2004	6
2003	10
2002	7
2001	12
2000	16

2010 mergers:

REALTOR® Association of the Fox Valley, Ill. Merger of the REALTOR® Association of the Fox Valley and Aurora Tri-County Association of REALTORS®.

Buffalo Niagara Association of REALTORS®, N.Y. Merger of the Buffalo Niagara Association of REALTORS® and Niagara Frontier Association of REALTORS®.

Miami Association of REALTORS®. Merger of the REALTOR® Association of Greater Miami and the Beaches and the REALTOR® Association of Miami-Dade County, and later also merged with the Northwestern Dade Association of REALTORS®.

MetroTex Association of REALTORS®, Texas. Merger of the MetroTex Association of REALTORS® and Grand Prairie Board of REALTORS®.

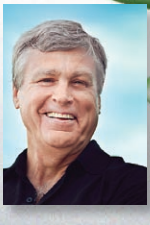
Crawford County Board of REALTORS®, Ohio. Merger of the Bucyrus Board of REALTORS® and Galion Board of REALTORS®.

Chicago Association of REALTORS®. Merger of the Chicago Association of REALTORS® and West Towns Board of REALTORS®.

Tuolumne County Association of REALTORS®, Calif. Merger of the Tuolumne County Association of REALTORS® and Hetch Hetchy Board of REALTORS®.

NAR program enables mergers

Unify is a program to facilitate consolidation of local associations in an objective and confidential manner. It is for associations considering or committed to merger or other unification alternatives. Unify enables associations to know what opportunities exist to merge (or not) and to engage in the process. The NATIONAL ASSOCIATION OF REALTORS® sponsors the Unify program; Jerry Matthews provides the professional services. For more information, e-mail: jerry@jerrymatthews.com.



"Synergy: Merger and Alternatives" is a presentation by former REALTOR® AE, Jerry Matthews for associations and their leadership addressing different approaches to combine strengths of separate associations. Today, Matthews specializes in making presentations on future trends, facilitating strategic thinking, providing executive coaching, and recruiting. Contact him at *jerry@jerrymatthews.com*, 407-876-1495, or visit *www.jerrymatthews.com*.

Alternatives to a Merger

Structure	What	Why	Example
Cooperative ventures	A separate entity owned and operated by two or more local associations.	To deliver a single service to a joint pool of members in an environment of shared risk, resources, and revenue.	Regional MLSs are the most prevalent entity owned by multiple associations.
Alliances/joint partnerships	When two or more associations establish a framework within which all or certain types of future program or service collaborations will operate.	To expedite the launch and management of new collaborations among agreed parties, alliances establish, in advance, how funds, staff, and other resources are allocated to achieve service goals.	The four associations in the Community Alliance of Chicagoland REALTORS®. The three state associations that produce the joint annual Triple Play REALTOR® Convention & Trade Expo.
Shared services	When two or more associations agree to share the costs of providing an ongoing member service.	To deliver a service that requires more funds, member participation, or volunteers than any one association has alone.	Effective government lobbying through a shared government affairs director or more unbiased mediation and arbitration services through shared professional standards administration.
Overlay	Cooperation between two or more associations to form a new NAR-recognized association that focuses on the delivery of one area of service to a unique subset of members.	So that associations can offer a type of service, or service a type of member, that is impractical individually because of the low number of these members in each board.	The New York State Commercial Association of REALTORS® that delivers services to the cooperating associations' commercial practitioner members. Note: The only NAR-approved "overlay" structure is commercial overlay boards.
Association multi-management program	When a small association's administration is assumed by the state or another local association. The small association still exists but without its own AE.	To enable small associations with limited revenue to keep their identity, local practices, and sense of community, but receive a higher level of essential services.	Betty Lalla, working for the New Hampshire Association of REALTORS® is the executive officer of four local associations.

Three Issues That Can Derail a Merger

By Steve Blanton, RCE, CAE, Executive Officer, San Mateo County Association of REALTORS®, Calif.

A merger of associations may have all kinds of advantages for members. However, there is more than one thing that can knock a merger off track. I've been with two REALTOR® associations that have considered merging, but ultimately did not for a variety of reasons. From my experience, there are three key issues that will always break up an otherwise sound merger plan.

1. Perception that the merger is staff-driven

If the perception exists that the staff, particularly the AE, is advocating the merger out of self-interest, then the venture will have little chance of success. REALTOR® associations exist to serve members. Keeping the member benefits of a proposed merger front and center in all discussions is essential.

2. Territoriality

The first thought in merger discussions is: "How does this impact me?" Staff wonders about job security. Volunteers wonder about their place on the leadership ladder, and everyone seems obsessed by the new name of the association. Develop a compelling vision of the new organization and communicate it early and often. Let people know that you care about them, and whenever possible reassure them about their place in the new structure.

3. Loss of familiarity

The fear of losing the old headquarters building, a favorite staff person, or a time-honored event can pull at the heartstrings and become a powerful excuse not to move forward. Even though a merger is a business activity, don't underestimate sentimental value.

More on mergers and shared services from the *RAE* archives

- "A Marriage of Associations: Make the Relationship Harmonious from the Proposal to the Honeymoon" at *REALTOR.org/eomag.nsf/pages/A_Marriage_of_Associ*
- "The Making of a Successful Merger," by Jeremy Conaway, at *REALTOR.org/eomag.nsf/pages/Making_of_a_Succ*
- Shared Services Workshop Reports, by Pat Stahl at *REALTOR.org/eomag.nsf/pages/sharedfa03*