

ED 320: Mergers in Microenterprise Development

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Panelists

- Bill Burrus



- Kersten Hostetter



- Elizabeth Williams



Backgrounds

Accion USA and Working Capital

- Merged October 2001
- Both based in Boston, MA
- Following merger, Working Capital ceased to exist
 - Operations became the Southern New England office of ACCION USA

MBD, Colorado MicroCredit, & Business Capital of Colorado

- MBD began as a guarantee loan program focused on rural communities
- Mergers allowed MBD to expand its services and establish itself as a full service organization
- Two mergers:
 - Colorado MicroCredit in 2002
 - Business Capital of Colorado in 2004

Goodwill and MEGA

- BusinessNOW of Goodwill merged with Micro Enterprise of Greater Atlanta (MEGA) - formerly Working Capital Atlanta

What were the conditions and rationale that led to the possibility of the merger?

Accion USA and Working Capital

- Similarity of mission and goals
- History of collaboration
- For Working Capital
 - Need to reach critical mass
 - Fundraising challenges
 - Weak board of directors
- For Accion USA
 - Quick way to enter desired Boston market

MBD, Colorado MicroCredit, & Business Capital of Colorado

- Financial conditions in the area made supporting several organizations unrealistic
- Similarity of mission and goals
- History of collaboration
- Desire of MBD to expand its services, specifically in lending, in order to reach scale
 - Increase sustainability for the organization through interest and fee income
- MBD's footprint and support via banking institutions would be expanded

Goodwill and MEGA

- Loss of senior staff
 - Lost Executive Director of one of the programs
- Donor requests to consolidate supported programs
- Community assessment and market surveys
- Overlap of services provided in the same community to same populations

What were the major steps that you undertook from the idea stage to the legal completion of the merger?

Accion USA and Working Capital

- Initial CEO level discussion in January, 2001
- MOU developed by management and approved by boards
- Notification/consultation with key lenders and donors
- Mutual due diligence
- Merger documents prepared by counsel and approved
- Merger documents approved by both boards
- Merger documents signed effective October, 2001

MBD, Colorado MicroCredit, & Business Capital of Colorado

Colorado MicroCredit Merger

- Initial discussions at ED level
- Both Boards approached with outline of proposal
- Each Board agreed to create a joint due diligence committee
- Notification/consultation with key lenders and donors
- Mutual due diligence performed
- Decision to merge made by each Board
- Merger agreements made
 - ie – staffing, name, location, Board make-up
- Merger documents prepared by counsel and approved
- Merger documents approved by both boards
- Merger documents signed

MBD, Colorado MicroCredit, & Business Capital of Colorado

Business Capital of Colorado Merger

- Proposal sent out by BCC Board
- MBD and others responded to request for proposal and were interviewed by BCC Board
- MBD's proposal was accepted
- Due diligence from MBD's Board occurred
- MBD's Board and BCC's stockholders agreed to terms of the acquisition
- Legal documents prepared
- Acquisition documents signed
- MBD's Board dissolved the BCC entity

Goodwill and MEGA

- Brought in a 3rd party to function as a neutral party consolidator and went away on a retreat to discuss the merger, expectations, and new outcomes
- Completed legal documentation and MOU to transfer and consolidate funds
- Provided training and support to merge staff seamlessly
- Developed a strategic plan
- Hired an attorney and a CPA to review all documents

What were the key lessons
learned from the merger
experience?

Accion USA and Working Capital

- Develop trust, honesty and mutual respect
- Secure responsive pro bono counsel on both sides
- Consult early on with key lenders, donors and stakeholders
- Prepare clear, deliberate campaign for informing clients
- Check in frequently with staff
 - Identify and deal with their fears/concerns
- Understand real work begins when merger papers are signed
- Don't underestimate difficulty of integrating two organizations

MBD, Colorado MicroCredit, & Business Capital of Colorado

- Develop trust, honesty, and mutual respect between Boards
- Decide how the Board will be formed
 - Give ownership to key members of the Board and the community
- Develop early understanding of staff roles
- Be careful when bringing leaders from one organization into the merged organization
- Keep phone numbers and websites from other organizations for an extended period of time
- Fund the merger
- Check in frequently with staff
 - Identify and deal with their fears/concerns
- Secure responsive pro bono counsel on both sides
- Prepare and implement clear and deliberate campaign for informing clients
- Meet with collaborative partners from each organization early
- Understand real work begins when merger papers are signed
- Do not underestimate the difficulty of integrating the two organizations

Goodwill and MEGA

- Don't rush or force it
 - Take the necessary time to have a successful merger
- Constant communication is necessary before, during, and after the merger
- Keep your eyes on the prize
 - Make sure you plan ways to maintain and improve client satisfaction during and after this process
- Have a contingency plan in case the merger fails

Questions?