

**THE OSBORNE GROUP APPROACH
TO SUCCESSFULLY INTEGRATING AGENCIES AND SERVICES**

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By
The Osborne Group



THE OSBORNE GROUP APPROACH TO SUCCESSFUL INTEGRATION OF AGENCIES

Who We Are

As a dynamic team of experienced executives, The Osborne Group has been helping organizations succeed since 1993. Based in Toronto, Ontario, The Osborne Group provides a wide range of professional consulting, planning, interim management, and project management services.

The Osborne Group has worked with clients in every sector, including not-for-profit organizations, provincial ministries, municipalities, and small and medium sized businesses. Osborne Group Principals are experienced executives who lead or manage major projects that require senior-level experience to ensure timely and effective development and implementation.

Our team includes Principals with vast experience in both the health and social services sectors.

We have functional expertise in a number of key areas:

Change Management	Executive Management
Organizational Design	Project Management
Information Technology	Communication
Strategic Planning	Human Resources
Consolidation and Mergers	Corporate Development
Financial Management	Governance

Many Osborne Group Principals have worked extensively in the Developmental Services sector with some Principals having specific experience in the area of inter-organizational collaboration and redesign. This includes mergers, consolidations and amalgamations, often referred to as integration.

Integration – What Does It Mean?

Integration can take many forms and can describe a range of activities along a continuum from consolidation of administrative services or “integration of the back room” to consolidation of some client-specific services and at the far end of a continuum, the full integration of two or more agencies (known also as consolidation and amalgamation)

There are various definitions and views of agency or service integration. Some believe it is mainly a legal process where two agencies come together either to form a new organization or one organization ceases to exist and joins another organization. The Osborne Group understands that, while the legal aspects of integration are important, successful integration is far more complex.

Integration of the back room typically involves but is not limited to the following types of functions:

- Human Resource Management – often includes all transactional activities that support human resources management (except for hiring and firing, which would remain the responsibility of each agency)
- Information Technology – management and training computer upgrade, repair, web-site maintenance
- Finance – accounts receivable and payable, forecasting, reporting
- Single Window Purchasing
- Payroll/Benefit management
- Property maintenance
- Records retention
- Labour management relations support for managers

The “integration of back” room strategy is most cost effective if one organization is responsible for performing the full “bundle” of administrative functions. This organization then provides all these services to the partner agencies as specified in a negotiated agreement.

Integration of selected client specific services can involve any number of services delivered by one agency under contract to another.

Full integration involves two or more organizations becoming one, which can mean:

- one organization joins another organization
- two or more organizations cease to exist and they create a new entity

Administrative integration and integration of selected client services are most feasible and practical if done on a relatively large scale. Our experience has been that both of these strategies have limited impact on the long term sustainability and viability of agencies.

The Osborne Group recently assisted two agencies to examine the feasibility of implementing any/all of the above options. Our work concluded that the financial gains for the first two options would be minimal, the service delivery gains somewhat more feasible and the increased administrative burden not worth the time and expense associated with negotiating the agreements and monitoring for compliance for relatively low value items.

In this particular situation, it was concluded that full integration of the two agencies would result in the most improved services to clients and optimal agency stability and viability.

While The Osborne Group has expertise to assist agencies with all three options, this paper will focus on full integration.

A Brief Look at Ontario's Current Economic Situation

Economically, Ontario continues to struggle. The Conference Board of Canada, in its report titled *2010 Ontario Budget, "Restraint to Come... Tomorrow"* suggests that, as a result of the economic downturn, the majority of Ontario's constraint won't begin until 2011/12 with the bulk of restraint occurring in 2012/13 and beyond.

This is consistent with the timetable laid out in March, 2011 when the Commission on the Reform of Ontario's Public Services (The Drummond Commission) was formed. The following are extracts from the Budget Backgrounder on the Commission.

"...the Commission will examine long term, fundamental changes to the way government works."

"The Commission's work will include exploring which areas of service delivery are core to the Ontario government's mandate, which areas could be delivered more efficiently by another entity and how to get better value for taxpayer's money in delivering public services."

Also, the Commission is expected "to provide advice on reforms that would help accelerate its plan to eliminate the deficit while protecting education and health care."

The Drummond report is now expected in January. A deteriorating economic situation has already resulted in the Commission mandate no longer being to accelerate elimination of the deficit. This is consistent with the federal Fall economic statement that postponed elimination of the federal annual deficit until 2015/16, assuming its deficit reduction action plan meets its targets.

Recent articles in the Toronto Star indicate the extent to which the stage is now being set for major reductions in program spending, Mr Drummond is reported to have briefed the Premier in early November and told him "the province needed an immediate course correction to bring growth (presumably expenditure growth) down to 1 percent for years to come. The November 9 article goes on to say "McGuinty emerged to say he'd embrace the new target."

The same article goes on to describe the basic truth about the size of the ‘protected’ health and education sectors:

“...the politically sensitive health care sector will be allowed to grow by 3 percent and education by 1 percent. But the calculus will be cruel for other sectors, with health taking up 42% of the budget (and education another 26%) everything else will face cuts to meet the overall 1% target.”

Ontario and the Not for Profit Sector Today

Notwithstanding the state of the province’s finances, the demand for health and social services continues to grow, resulting in waiting lists for many important services.

It is clear that the non-profit sector in both Ontario and the rest of Canada makes a vital contribution to the economy. The sector must be strong and viable in order to deliver the most effective services to Ontario’s most vulnerable citizens – individuals with disabilities, children in need of protection, at risk seniors.

In the Broader Public Sector, the landscape has changed dramatically in recent years as the province has sought to restructure the way in which major services such as health, education and social services are delivered. The work of the Health Service Restructuring Commission led to the consolidation of a number of health services including hospitals. Educational boundaries were re-thought and school boards merged and restructured. The status quo is being challenged in every sector and the search for service improvement is relentless.

In an effort to improve coordination, access and quality of care the Ontario Government has reduced the number of Community Care Access Centers from 42 to 14. Local Health Integration Networks are working extensively to examine alternate ways to deliver services that will improve service delivery.

More recently, the government-appointed Commission to Promote Sustainable Child Welfare has identified some fourteen Children’s Aid Societies as candidates for amalgamation with other Societies. This represents a potential reduction in the number of CASs by more than 25%.

In previous years, it was difficult for the province to do much more than use moral suasion in the social services sector to encourage agencies to explore various types of consolidation, since the province itself had considerable administrative duplication of effort. This has now changed and Ontario has created Ontario Shared Services (OSS) which has consolidated its support operations from 60 office locations in 36 communities to six communities.

The province has now placed itself in a position of leadership and therefore it is more defensible for it to expect greater efficiencies and improvement in the delivery of services.

There is another phenomenon occurring in the non profit sector, one that the HR Council of Canada refers to as a leadership crisis. The Council advises that the non profit sector must hear the wakeup call and face the serious ramifications of not responding. The sector is experiencing increasing challenges recruiting leaders with the requisite skills and knowledge, which results in challenges for boards of directors and organizational health. As both funders and the public are demanding increasingly effective governance and expecting higher levels of accountability, this leadership crisis must be attended to. The very existence of organizations can be threatened without strong management and board leadership.

It is this general environment that faces the Developmental Services (DS) sector, with well over 300 independent non profit agencies receiving funding from the Ministry of Community and Social Services (MCSS), a number that the Ministry says is not sustainable in the long term.

The sector faces its own specific challenges including the fact that it is currently undergoing significant transformation which will continue for some time.

DS agencies are facing increasing financial and accountability challenges which may, of necessity lead to examination of a myriad of strategies to create cost saving measures while maintaining or improving services to clients.

One must also consider that the expectations of government with respect to oversight of the not for profit system is increasing. From an agency standpoint, this often means more administrative “work”. From a provincial government point of view, the MCSS Regional Offices' oversight of more than 300 service agreements in the DS sector requires considerably more effort than is involved with the 38 Child Welfare service agreements that are expected to be in place after that sector has reduced the number of agencies.

While some may question the strength of comparisons between the Child Welfare sector and the Developmental Services sector, we suggest that the parallels are strong. Agencies in each sector support a very vulnerable population. In both sectors, some agencies have a religious orientation, some organizations are committed to serving francophone clients, some support clients of different cultures. They negotiate annual service agreements with a provincial ministry under a framework of client specific legislation. Each sector receives over 1 billion in provincial funding. Nevertheless, the number of Children’s Aid Societies is currently being reduced by 25% while there is very little integration work occurring in the DS sector.

Each DS agency has its own history and ‘raison d’etre’ and for the most part carries a full range of administrative responsibilities, such as payroll, human resources, purchasing, and so forth. It is difficult to deliver all these services efficiently in smaller agencies within the MCSS policy to limit allocated central administrative funding to 10% of the overall budget, regardless of size.

More than 75% of all funding is dedicated to staffing costs. The sector is large yet fragmented, which acts as a barrier to truly comprehensive community based planning. There is little if any homogeneity.

Given the current state, many agencies find themselves in a situation where their very stability and viability is threatened. In these situations, boards of directors should seriously ask the question: Are client services at risk? Have we effectively performed our duty to assess and manage risk? Can we be sustainable in the future? In today's climate, the Ministry can no longer be expected to "bail out" agencies; rather it will likely expect agencies to find ways to join other agencies.

In summary, the ways in which services are organized and delivered are undergoing change that will continue for some time. Despite the trends pointing to integration as an imminent trend for the sector, most agencies appear to have been waiting for the government to direct them to integrate. The Ministry of Community and Social Services has not ordered change, preferring a more collaborative approach where agencies work in partnership. There is an expectation of sector based proactive leadership. History teaches important lessons about the merits of two or more organizations agreeing voluntarily to integrate as opposed to having the key decisions made by others for them.

Why has integration occurred in many other sectors but not in the DS sector?

All agencies have a unique history, an individual culture, a belief that they are unique, fear of change. One important aspect has a significant influence - many agencies were created by groups of parents who continue to be actively involved and who worry that without their influence their son or daughter will lose service. They do not see that the benefits of integration could have a positive impact on future services.

What is often apparent is that "ego gets in the way" (Mark Blumberg ¹) which applies to both boards of directors and executive directors. In addition, agencies often have a history of not working in a collaborative fashion at the community level which is often related to a difference in philosophy about how to best provide supports to clients. This history and behavior makes any proactive discussion about integration very difficult.

There are a number of other reasons that agencies have not been willing to consider some form of integration:

- Fear of loss – jobs, finances, status and position in the community
- Management resistance
- Union or staff opposition (both front line and management)
- Lack of board leadership or strength
- Fear of loss of "uniqueness"
- Negative impact on culture
- Fear of losing volunteer base

Overall, what appears to be the most significant worry is that an agency and its clients will lose something rather than gain.

It does not have to be this way. If the integration process is managed effectively and supported with the required expertise, the result can be a win/win for all participant agencies and most importantly for clients and their families.

1. Mark Blumberg, Non Profit and Charitable Sector Mergers and Amalgamations, The Philanthropist, Vol.22/No.1

OUR APPROACH TO AGENCY INTEGRATION

The Osborne Group's approach to integration combines leadership skills and process design expertise, and includes a comprehensive understanding of the various legal and organizational requirements, not to mention familiarity with the DS sector.

The Osborne Group has been involved in a number of integration activities and has a successful track record in creating win/win scenarios.

One example of our work involved two Children's Aid Societies that engaged us to examine what consolidation opportunities might exist for the two geographical neighbours. We examined all of the opportunities. Two weeks after receiving our thorough analysis and recommendations, the two boards of directors made a joint decision to fully integrate the two CASs into one new organization.

The Osborne Group's process has proven successful and has resulted in a win/win outcome for those agencies who determine that integration is value added. The process and outcome must be about making services better for people and about strengthening the agencies and their staff. It cannot be focused solely on financial savings. In the case of full agency integration or amalgamation, it must be about taking the best of the individual agency cultures and creating one new vibrant culture. It must be about taking the pride that people have in their work and the excellent outcomes produced and replicating both in the new agency.

Working with the Board of Directors

Leadership from the Board of Directors in any major initiative is essential. Many boards are reluctant to consider agency integration because their Executive Directors have reservations or because they simply do not understand how to go about it and where to find the expertise needed to assist them. In situations where the Executive Directors support some form of integration, the outcome is most often very, very positive for the clients the agencies serve and their staff.

The pressure on agencies to ensure the sustainability of services to adults with a developmental disability is mounting. Their first consideration and commitment must be to the continued provision of safe and secure services.

The Osborne Group has worked very successfully with Boards of Directors who were reluctant to even consider integration with another agency. Bridges need to be built between both Boards and this is best done by a neutral and independent third party who also understands the DS sector.

When it comes to integration, the Board of Directors are the decision makers and the role of the ED is to execute the board direction.

Boards of Directors must exercise due diligence prior to making a final decision. They should request and receive a full set of options, each of which has been carefully analyzed. Boards should be aware of the choices they have and not be presented with only one course of action.

Communication

The message and how the message is communicated are both extremely important considerations. The mere hint that an agency is considering integration/amalgamation can send staff and families into a tail spin.

It is crucial to have a comprehensive communication plan in place before any discussion occurs outside of the board of director's forum. All agencies must coordinate the timing and the process. They must demonstrate they are working together in a balanced and mutually respectful manner. Without this, families will become anxious and worry about the future and staff will worry about their jobs.

A direct and factual style with necessary repetition is part of our approach. Through effective communication, staff and families understand that they will be part of the process, that their views and ideas are valued. The maximum amount of openness, bearing in mind sensitivities in such matters as labour relations, should be inherent in the communications plan.

Broad Engagement

Collaboration and consultation are fundamental to success. There are many stakeholders to be considered and their ideas, thoughts, worries and recommendations taken into account in an organized and open manner. Separate consultation events for staff, managers, board members, clients, families and community colleagues engage people in planning for a decision and its implementation. Some will support an integration decision, others will not. Effective consultation allows everyone to express their worries, concerns, hopes and suggestions.

At the outset of an agency integration/amalgamation process, a clear set of possible outcomes must be established to guide the process through to decision making.

For The Osborne Group, improving services to clients must be the focal point as this is the very essence of a DS agency – supporting vulnerable adults is what it is all about. For an integration project to be successful, everyone must feel that they have been a contributing member to the process – providing views, advice, sharing their worries, identifying future opportunities.

We also believe that staff and managers should have a confidential and safe forum for expressing their concerns and worries. While our process includes group discussions, we also believe that staff should be able to share information and ideas with us through email or private mail.

Analysis

Thorough analysis of each organization is required to ensure that all risks and impacts are identified and taken into consideration in developing a workable set of recommendations. This analysis also identifies opportunities for future opportunities and carefully assesses the full impact of various options and considerations.

If two agencies with two different collective agreements are considering integrating, a very thorough analysis would include, for example, a thorough review of both collective agreements, the salary and benefit differential, the potential future cost of a new collective agreement. As another example, if two executive teams are to become one, a detailed human resources plan for this particular aspect would be essential.

Labour Relations

Managing labour relations in today's world is complex. CUPE, OPSEU and employers work diligently to adhere to the provisions of the Ontario Labour Relations Act as they pertain to DS agencies.

The Osborne Group's background and in-depth knowledge of all aspects of labour relations have created win/win outcomes for both unions and agencies that make the decision to integrate.

Agency integration/amalgamation should be viewed primarily as organizational design and development. When two or more organizations come together, there will be a new governance and management structure, a new way of organizing services, new relationships and new roles and responsibilities.

KEY FACTORS THAT DEFINE A SUCCESSFUL AGENCY INTEGRATION

- driven by agency/service sustainability and viability (want to be stronger and more relevant in the future)
- strong leadership from the Board of Directors
- leadership at the Executive Director level
- will not cost more on an ongoing basis
- will result in some financial efficiencies that will then be re-invested often in direct client services
- will be undertaken with the support of the funder
- must garner the combined expertise of organizations
- be about professional growth and development
- enhance work life for staff and managers

- build on the best of each organization's culture and best practices and respect each agency's history
- must strengthen the effectiveness of boards of directors
- in many cases, enhanced community participation and partnership

THE BENEFITS OF INTEGRATION

Governance

When many of the DS agencies were formed a number of years ago, they had a very small base of non-unionized staff. The sector has grown such that a number of agencies now have multi million dollar budgets and large unionized staff. Such growth requires different governance structures and processes. Boards of directors have told us that they often focus almost 100% of their energy on funding and have little or no time to focus on other issues such sustainability, viability and quality assurance.

The new agency built through integration will require a different type of governance capacity - one that will be positioned to lead the new organization in a complex and challenging sector undergoing fundamental transformation.

As an example, rather than requiring 20 – 24 board members spread across two different agencies, the creation of a single new board would provide opportunities to recruit 10 – 12 board members with the requisite skills and expertise.

Enhanced Services

The integration of two agencies will build on the best practices of both organizations. Staff and managers will have to engage in a process to plan for service integration. There will be mutual learning and experiencing new ways of providing services and supports.

Integration brings staff together – staff who have varying expertise and ideas for innovation. It fosters sharing and professional development, a greater depth of combined staff expertise, a stable work environment, etc. The combined effects are manifested in increased job satisfaction and enhanced service to clients.

It also means that there would be a single approach to volunteer development and fund raising both of which would be enhanced through the integration of staff. If one agency does not have any volunteer or fund raising capacity, they certainly would benefit from joining an agency with this capacity.

Culture

It has been our experience that people believe their culture is very different from other agencies. We have found in a number of situations that, rather than cultural differences, it was often a

different way of getting the job done. Taking the best of two organizations and creating a new culture can be energizing and positive for both staff and clients.

Sustainability and Viability

Every agency wants to sustain and improve services, not reduce them. Every agency wants to be viable in the future. Having two or more agencies coming together into a new organization will provide opportunities to design a viable and sustainable organization. For example, a new organization may have broader scope of services and thus enhanced capacity to recruit qualified staff.

Modest cost savings can be derived from a range of opportunities, such as moving to one payroll and benefit plan administered by fewer staff, integrated training, a more effective HR system, potentially reduced time and travel costs and reduced management costs.

In all integration projects, there will be economies of scale. Some of the funding saved through economies of scale may be required for salary and benefit smoothing and other ongoing integration costs. In other cases, the economies of scale are sufficient to allow funding to be redirected to increased client services. What is perhaps most important to understand is that integration can be accomplished within the total funding available.

No one should lose sight of the overarching goal which is one of improving client service.

The primary exception to this general truism pertains to the one-time costs associated with the integration, such as severance, project implementation assistance, and specialized labour relations. Ministry funding of these fiscal costs may be necessary.

The Osborne Group understands how to work with all parties to come to a common understanding of the financial implications of integration.

Organizational Stability and Capacity for Change

An agency with a broad multi-functional management team is more able to deliver a full range of management functions: oversight of client services, comprehensive human resource and financial management, quality assurance and client planning, adapting to policy changes, continuous improvement risk management. Too often in the past, organizations have dealt with reduced funding by eliminating management positions which may have longer term negative consequences. New competencies often emerge from the integration of agencies.

In the future world of DS Transformation, organizations will need to be able to change and react more flexibly in order to continue to be relevant to changing needs and philosophies. Integration can better position agencies in this respect.

Common Vision

Integration of agencies must include the development of a new vision. Often two agencies feel that their vision and mission are very different. It has been our experience that this difference is more perceived than real. Nevertheless, the process of creating a new vision as part of creating a new organization will benefit all and will contribute to the overall success of the enterprise. In the face of ongoing change and "transformation" it is critical for agencies that they have a clearly defined vision that defines who they will be in the future and what services they will provide.

Shared Expertise and Best Practices:

When agencies integrate, tremendous opportunities are presented to build on the best that each agency brings to the new organization – service delivery strategies, best practice, professional expertise and wisdom,

Quality assurance is an increasingly important function; one which is often not well-attended to by boards of directors and senior managers. Agencies must dedicate more energy and resources to monitoring and evaluating various aspects of service quality. This aspect of agency capacity will be enhanced when two or more agencies join their staff together.

OUR TEAM

An Osborne team is a customized grouping of Principals, carefully assembled to match the requirements of each engagement. Typically, one Principal is designated as the Lead and is the main point of communication and continuity for the entire assignment.

The Lead Principal brings in other Principals as required, each with a particular skill set, such as human resources, finance, IT, communications. The initial work plan identifies all resources up front and no amendments to the plan are made without the knowledge and consent of the client.