



**STANFORD**  
GRADUATE SCHOOL OF BUSINESS

**STANFORD** SOCIAL INNOVATION *review*

## **Case Study**

### **The Merger Proposal**

#### **Uniting for Survival**

How four Chicago-area cancer support centers created a fifth nonprofit to pool their strengths

By Don Haider

Stanford Social Innovation Review  
Summer 2007

Copyright © 2007 by Leland Stanford Jr. University  
All Rights Reserved



**STANFORD**  
GRADUATE SCHOOL OF BUSINESS

Stanford Social Innovation Review  
518 Memorial Way, Stanford, CA 94305-5015  
Ph: 650-725-5399. Fax: 650-723-0516  
Email: [info@ssireview.com](mailto:info@ssireview.com), [www.ssireview.com](http://www.ssireview.com)

# Uniting *for* Survival

*How four Chicago-area cancer support centers created a fifth nonprofit to pool their strengths* by DON HAIDER

In 1989, three women in Skokie, Ill., a suburb north of Chicago, wanted to create a center where patients and families living with cancer could receive emotional support. Although more people were surviving cancer because of advances in treatment, hospitals still lacked cancer support programs. In response to cancer survivors' desire for more community-based support centers, the women raised \$10,000 from a fashion show and opened the Cancer Wellness Center in a small donated storefront. Five years later, the center moved to a 13,000-square-foot custom-designed building in Northbrook, Ill., and hired its first full-time executive director, a registered nurse named Nancy Laatsch. By 2005, the last year for which we have data, the center was serving 1,500 cancer patients and family members with its \$1.3 million budget.

One year after the Cancer Wellness Center opened, two women recovering from breast cancer in Hinsdale, Ill., a suburb west of Chicago, started their own cancer support center: Wellness House. Their community-based nonprofit offers information and support programs concerning nutrition, exercise, stress reduction, and bereavement. In 2000, the center promoted one of its interns, Jeannie Cella, to the position of executive director. Wellness House now provides services to more than 1,500 patients and caregivers on its budget of \$1.8 million.

In 1995, several years after the Wellness House opened, two young mothers who had just lost their husbands to cancer wanted to start a center for people like them. They founded the Jennifer S. Fallick Cancer Support Center in Homewood, Ill., a suburb south of Chicago. By 2006 it was serving an estimated 1,500 people on its budget of \$947,000.

In 1998, the three centers were temporarily joined by Gilda's Club Chicago, named for "Saturday Night Live" cast member Gilda Radner, who died of ovarian cancer in 1989. Gilda's Club ultimately decided to pursue a different direction. But by 2000, two cancer survivors opened a fourth cancer sup-

port center, Wellness Place, in Palatine, Ill., a suburb northwest of Chicago. This center currently helps 1,150 cancer patients and caregivers on its annual budget of \$1.3 million.

Cancer Wellness Center. Wellness House. Cancer Support Center. Wellness Place. In slightly more than a decade, these four independent, community-based, nonmedical centers arose in a ring around the city of Chicago, offering free professional resources to 6 million people in the Chicago metropolitan area. Although all four centers were in Cook County, which is home to more than 5 million residents, they were sufficiently far apart that they did not compete for referrals, volunteers, or community support (see map on p. 55). Indeed, the centers were scarcely on the radar of most of the major hospitals in the area.

Nevertheless, the centers did compete for corporate and foundation support. When all four centers applied for funding from the Coleman Foundation, Michael Hennessey, the foundation's president and CEO, encouraged them to consider partnering to increase their visibility to funders, cancer survivors, and the medical professionals upon whose referrals they relied. The centers were initially wary of collaborating. But over the course of almost a decade, they successfully evolved two different types of partnerships: First, they created a consortium that presented the four centers as a single entity to the public, and second, they forged a fifth nonprofit that sought and then distributed benefits for the other four charter centers. The fifth nonprofit, the Cancer Health Alliance of Metropolitan Chicago, now uses its \$200,000 to help all five nonprofits pursue their mission: to help people live better with cancer.

In what different ways can nonprofits partner to pursue a common cause?

What are the drawbacks and benefits of forming alliances?

What role can funders play in encouraging alliances?

## Cooperating While Competing

Early on, the executive directors of the cancer centers cooperated to develop best practices. For many years, they met



monthly over lunch to discuss their common problems and lessons learned. All were responding to the same trend: Although medical advances were helping more and more people survive cancer, hospitals were not giving patients or their families the psychosocial support they needed to cope with the changes that cancer brings. And all created similar, homey centers that offered lectures, libraries, professionally led support groups for patients, group and individual counseling for families, stress management classes, and healthy-living training.

For all their trust and sharing, however, the centers also competed with each other. With at least 20 percent of their funding coming from local foundations and corporations, they had to vie for money.

The centers also competed for referrals from Chicago's major hospitals and cancer-related caregivers – without much

success. “They did not recognize that a suburban [cancer center], acting alone, would not get much attention from, say, multibillion-dollar Chicago-based Northwestern Memorial Hospital,” recalls Hennessy. Getting hospitals’ attention was all the more difficult because many physicians already had their own alliances and protocols, and so were not receptive to independent, nontraditional centers that work with patients, families, and loved ones.

Operating independently, the organizations were also faltering in their attempts to raise public awareness about how to improve cancer survivors’ quality of life.

“They suffered from a neighborhood mentality, a kind of tunnel vision that makes small, neighborhood-based nonprofits lay claim to serving a larger universe and mission,” says Hennessy.

# Terms of Collaboration

Although the terms for nonprofit partnerships are often used interchangeably, they mean different things. Here are a few of these terms and their definitions:

**Collaboration:** A generic term for groups or organizations working together

**Affiliation:** The lowest level of collaboration, which involves meetings, letterhead, and possibly paying a fee to join

**Alliance:** A collaboration that involves some changes in operations or responsibilities, but not changes in control or structure; also called a network or a coalition

**Integrated Service Network:** An alliance of organizations that offer complementary services

**Service Organization:** An alliance that shares operations such as legal, audit, and billing services

**Partnership:** Two or more organizations that are legally bound to each other

**Federation:** An alliance of local affiliates that are united by a central headquarters; affiliates share a mission, a brand, and a program model, but are legally independent of one another and of the headquarters

**Consortium:** Similar to a federation, but members are more independent of each other and of headquarters

**Franchise:** Like a federation, but usually applied to commercial organizations

**Merger:** Combining two or more organizations into one; involves change of control

## Constructing the Consortium

In 1997, each of the cancer centers approached the Coleman Foundation for funding. The Coleman Foundation is a private, independent grantmaker that focuses primarily on the Midwest and on cancer care, treatment, and research. Hennessy strongly believed that the four centers would be more effective working together. To do so, however, they would need more resources, more professionals, and a better outreach plan. Hennessy asked Laatsch to bring the other directors to meet with him to discuss how the organizations could more effectively leverage their common strengths.

Reflecting on these early meetings, Hennessy says: "At first, they seemed to be speaking in foreign languages. They were not prepared for collaboration and, instead, asked to discuss any closer working relations with their individual boards." Because the centers were independent, community-based organizations with their own contributors, volunteers, and

**DON HAIDER** is a professor of social enterprise at Northwestern University's Kellogg School of Management, where he has taught public and nonprofit management for more than 30 years. He has been engaged in a great deal of public service locally and nationally, and he currently serves on the boards of several nonprofits in the Chicago area.

alumni, they were unwilling to relinquish control over their separate centers. And so they quickly dismissed the idea of a merger. Center directors and boards also dismissed as too radical the idea of forming a federation, in which a central headquarters would direct the activities of chapters. Eventually, the centers understood how their small size and geographical dispersion were undercutting their ability to help their stakeholders. And so they agreed to collaborate on advocacy and communications. In the absence of agreed-upon meanings for terms such as partnership, alliance, network, and the like, the centers agreed to call their collaboration a consortium (see sidebar at left for the standard definitions of these terms).

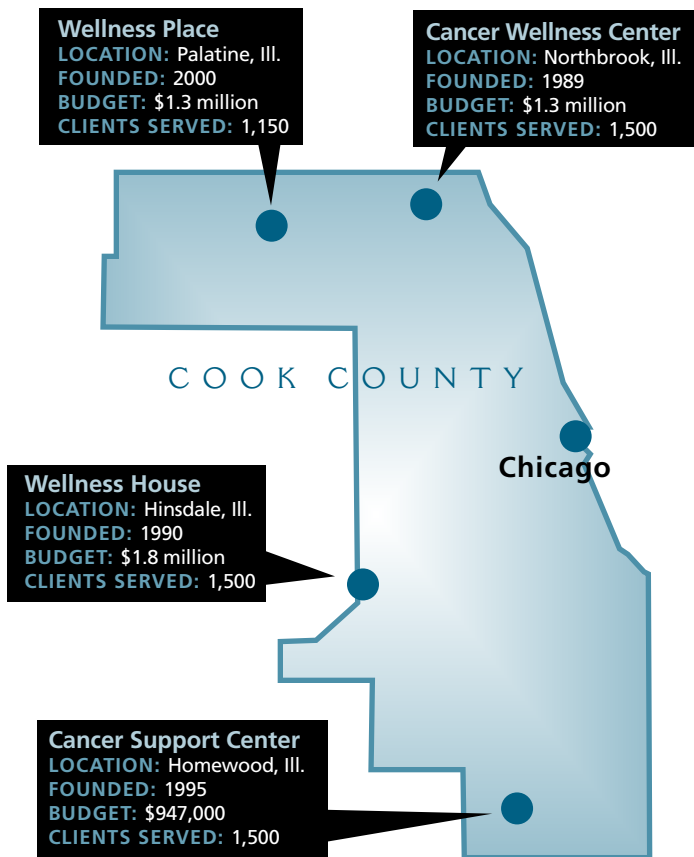
Under the direction of Hennessy, the Coleman Foundation awarded the centers a three-year (2000-2002), \$900,000 planning grant to help them develop the consortium. During the first year of the grant, the centers conducted a needs assessment. They discovered that although each organization had a reputation in its own service area, the broader public was generally unaware of the services they provided. They also concluded that they needed "to better understand the needs of the medical community for our collective outreach; to better understand our patient-customer needs to provide the right mix of center-based programs; and to better measure and quantify the same things," says Laatsch. "We needed better messaging" as well, she says.

To begin addressing these needs, the centers decided to market their consortium to cancer professionals and the general public as a single referral, in the form of an alliance. Laatsch explains: "We spoke of an analogy to the Milk Council and individual dairies. Only the Milk Council can talk about the value of milk as opposed to the individual dairies talking about the value of their brand."

Over the next two years, the four developed consistent outreach materials, communications, and advocacy messages for the media, medical specialists, major hospitals and clinics, and healthcare professionals. Their efforts increased referrals from the major cancer hospitals and oncologists. By year three, the centers were working together to raise public awareness about cancer survivors' needs, increase participation in their programs, and raise funds.

## Forging the Fifth Nonprofit

In 2002, with foundation funding running out, the four centers began discussing what to do next. Both the Coleman Foundation and their own consultants opined that the centers could move faster and achieve more if they entered into a more formal relationship. Given the centers' aversion to merging, forming a federation, or any other transferring of control, they needed to knit the centers together in a less centralized way. At the same time, they needed close enough ties to allow the



organizations to respond to new needs and coordinate their actions for a wide variety of aims.

Hennessy and the consultants suggested creating a fifth organization – a separate nonprofit – for pursuing the centers’ mutually agreed-upon activities. The fifth organization would be incorporated as an Illinois nonprofit with its own bylaws, board of directors, materials, and Internet presence. The alliance would fundraise, gather information about best practices, pursue referrals, represent the centers at conferences and health fairs, and partner with other organizations for cause-related marketing initiatives. It would then distribute the benefits of these activities to the four centers, which would remain independent and community-based as before.

By 2004, the four centers successfully founded the new 501(c)(3). Although the structure they created may more accurately be called a consortium, they named the new nonprofit the Cancer Health Alliance of Metropolitan Chicago. The longest-standing director, Laatsch, headed the new organization, although she hired a temporary independent contractor to run the alliance until the Cancer Wellness Center could hire her replacement. Cella had worked professionally with Laatsch for more than a decade, and the trust between the two directors greatly facilitated the creation of the alliance and the naming of Laatsch as head.

Having financed the cancer support centers for nearly 20 years, Hennessy and the Coleman Foundation continued to

support them with annual grants of \$15,000 to \$25,000 for project support. With matching grants from Chicago-based Fannie May Candies, the foundation helped fund the Cancer Health Alliance’s national networking conference at the Robert H. Lurie Comprehensive Cancer Center of Northwestern University in July 2006. The two-day conference featured the directors of the alliance and its four charter members, and attracted some 100 wellness centers.



### Getting More Mission

Over the course of a decade, the cancer support centers and their directors have progressed from the less complex challenges of competing, cooperating, and coordinating a consortium to a far more complex formal alliance. Hennessy notes that many alliances fail because “the wrong people are around the table, hidden agendas drive partners apart, and partners lose sight of the marketplace.” The four centers avoided these pitfalls because they kept their focus tightly on their mission and developed trusting relationships with all players. “We still compete at some level for funding our individual centers,” acknowledges Laatsch, “but we share and we understand the benefits of using our collective leverage.”

The Cancer Wellness Alliance is now in a position to consider its next stages regionally, nationally, and internationally. The center directors and their boards are considering whether to build out this organization into a kind of loose-knit federation that is characteristic of national healthcare organizations in the United States today. They will not be alone. The wellness movement is growing, and more cancer hospitals and systems are coming into competitive play, seeking to provide more support services and programs as part of their total cancer care package. The Cancer Health Alliance will have to make strategic changes if it wants to continue leading its better-financed competitors while continuing to offer high-quality services without charge.

How to get more mission out of their organizations ought to be the central focus of nonprofit leaders and their boards. By pooling their resources, the cancer support centers are better achieving their overall cancer awareness mission. “The alliance has grown because of its accomplishments and through trust,” says Laatsch. “We share and we understand the benefits of using our collective leverage.” Hennessy simply smiles upon hearing this. “At the onset,” he observes, “the center directors did not see the bigger possibility . . . the whole being greater than the parts.” Today, Laatsch and board members not only see the benefit of a collaborative alliance, but also see much further concerning the possibilities of where the cancer wellness support movement can go with the Cancer Health Alliance of Metropolitan Chicago at the lead. □