

# Social Sector Affiliations, the Woods Services Experience

Peter Shubiak 17 September 2017

Fundamental changes in the social sector, including shifts in funding, legislation and regulations, consumer preference, and service delivery, require more than ever innovative business models that enable not-for-profit organizations to thrive and to respond to market conditions without sacrificing core values. While not nearly as prevalent as in the private sector, a growing number of not-for-profit organizations are considering mergers and acquisitions as a strategy for enhancing their impact, broadening their continuum of services, expanding their geographical reach, and diversifying their revenue streams. The purpose of this article is to share one not-for-profit organization's affiliation model, results, and experience.

Woods Services (Woods) is a not-for-profit multi-service population health management and advocacy organization that provides innovative, comprehensive, and integrated health, housing, education, workforce, behavioral health, and case management services to children and adults in the intellectual and developmental disability, child welfare, behavioral health, and brain

trauma public health sectors. The mission of Woods is to empower children and adults with disabilities or challenges to reach their highest potential through innovative and individualized approaches that promote learning, independence, and personal fulfillment. Founded in 1913, Woods currently offers more than 200 programs and services through nine primary business components, which include: Physical Health, Behavioral Health, Residential and Community Supports, Education, Vocational Training and Supports, Day Habilitation, Social Enterprises, Children and Family Social Services, and Research Evaluation and Advocacy.

Woods strategically leverages its size and infrastructure to develop mutually beneficial affiliations with like-minded and mission-aligned organizations as a means of broadening its mission and increasing its social impact. Headquartered in Langhorne, Pennsylvania, Woods has affiliate partners located in Pennsylvania (Woods Community at Brian's House and Tabor Services) and New Jersey (Allies and Archway Programs) as well as a national reach given its expertise in serving a medically and behaviorally frail and vulnerable population. Presently, Woods serves more than 4,000 individuals from 23 states and the District of Columbia, employs 3,500 people, and has a consolidated operating budget of \$225 million.

## **The Woods Affiliation Model**

Unlike mergers, the affiliation model that Woods uses

preserves the corporate identity of the affiliate organization. This approach is reflective of the enormous value Woods places on the missions, identities, and leadership of its partners. The model is similar to a subsidiary and parent corporate structure in which there is a balance of independence and autonomy at the subsidiary level and some level of control at the parent level and in which both organizations benefit from shared resources and economies of scale. Significant characteristics of the Woods affiliation model are highlighted below:

- The affiliate partner becomes a not-for-profit membership corporation with Woods as its sole member.
- The affiliate partner retains its own 501(c)(3) status and Federal Tax ID number, files its own Form 990, and individual financial audit.
- The affiliate partner's board of directors remains intact and retains fiduciary responsibilities. Woods maintains a number of seats on the affiliate partner's board of directors and has certain reserved powers.
- The affiliate partner retains its own assets and liabilities and there is a corporate veil (firewall) which protects the affiliate partner and Woods.
- Existing employees of the affiliate partner are retained.
- Service sites remain the same.
- Woods makes a financial investment in the affiliate

organization at the time of the transaction, which is very rare in social sector transactions. Such financial investments are reflective of Woods' commitment to support the growth and development of its affiliate partners.

## **The Affiliation Process**

The Woods affiliation process, which generally takes six months to complete, is simplified here in six steps. Either party can terminate the process at any point.

1. The first step is to determine whether or not there is a strategic and cultural fit between the two organizations.
2. Once both parties make the decision to proceed to the next step, the terms of the transaction are negotiated and a non-disclosure agreement and a non-binding letter of intent are signed.
3. The due diligence process generally takes about 90 days, depending upon the size of the organization. During this stage, both parties take a deep dive to ensure there are no deal breakers and to explore opportunities for economies of scale, shared resources, and collaboration post affiliation.
4. Once due diligence is completed, the board of both organizations approve the affiliation.
5. There may be additional approvals required by licensing and/or funding entities.
6. The final step is to sign legal documents which

consummate the affiliate relationship.

## **The Benefits and Impact of Affiliation**

There is strength in numbers. When organizations with aligned missions join forces, their impact is greater than the sum of their parts. Some of the many mutual benefits of social sector affiliations include:

- Strengthened compatible missions.
- Enhanced peer groups, collaboration, and talent pools.
- Enhanced financial stability and economies of scale.
- Strengthened programmatic and infrastructure capacity.
- New opportunities for career advancement are created for employees.
- Enhanced networks, including partners, clients, and funders.
- Access to new sources of philanthropic and public funding becomes available.
- Enhanced ability to secure larger contracts with the backing of a larger organization.
- Growth of existing programs and markets and entry into new markets is accelerated.

Affiliations result in immediate diversification of business portfolios. Child welfare services, in-home early intervention programs, and partial care behavioral health programs are just a few examples of the new services

lines Woods added to its continuum of care as a direct result of its affiliations with Archway Programs and Tabor Services.

Affiliations result in immediate geographic expansion. As a result of its affiliation with Allies, Woods established an immediate footprint in 19 out of 21 counties in New Jersey, a state in which it had no prior presence.

Affiliations result in a larger share of the market. As a result of its affiliations, the number of individuals Woods serves more than quadrupled and increased by 3,300 people.

Affiliations result in financial strength. Woods and its affiliate partners are individually and collectively stronger financially as a result of their affiliations. Individual and combined operating budgets and balance sheets without exception have been enhanced with every affiliation. Woods' consolidated annual revenues increased by \$90 million, a 62 percent increase, as a result of four affiliations in four years. During the same timeframe, net assets increased by \$37 million, a 59 percent increase. One Woods affiliate leveraged the cash Woods provided to double its annual revenues from \$20 million to \$40 million through organic and inorganic growth in just four years.

## **Lessons Learned**

True of all relationships, trust is a critical component of successful affiliations. Trust must be cultivated at the CEO and board level prior to diving into the affiliation process, which can be demanding on both organizations. As a general rule, the boards of both organizations need to support the affiliation strategy for it to succeed and should be kept informed and involved throughout the process. An affiliation has a better chance of succeeding when the leadership of both organizations have established trust, believe the strategic relationship is in the best interest of both organizations, and are committed to the affiliation.

Not-for-profit organizations are in the mission business and affiliation decisions must be driven by mission alignment, cultural fit, and strategic intent. Being big is not a strategy and bigger is not always better. Organizations should avoid the temptation to grow just for the sake of growing.

A lack of knowledge about how to approach, plan, and implement affiliations is one of the top reasons they fail. The process usually takes more time and money than anticipated. Organizations are encouraged to use outside experts if necessary, including merger and acquisition facilitators, brokers, attorneys, accountants, and others.

Time is of the essence and organizations must be focused and diligent. Affiliation transactions are less likely to occur after six months, once due diligence commences.

One of the biggest myths about mergers and acquisitions in the social sector is that the acquired organization is always in financial trouble. Unfortunately, many struggling not-for-profit organizations tend to wait longer than they should to pursue strategies like affiliations. However, many successful not-for-profit organizations are taking a page from the for-profit sector playbook and are using mergers and acquisitions, including the affiliation model, as an effective and powerful strategy to advance their mission, achieve their goals, and increase their social impact.

## **Woods Family of Affiliates**

The Woods enterprise is currently comprised of five not-for-profit services corporations with locations in Pennsylvania and New Jersey.

Allies affiliated with Woods in 2012 and has experienced tremendous growth since. Headquartered in Hamilton, New Jersey, Allies has locations in 19 of 21 New Jersey counties. Allies serves 360 adults with intellectual and developmental disabilities and adolescents with behavioral health challenges. Its continuum of services includes: Community Housing and Supports, Day Habilitation/Social Enterprises, Vocational Services, and Intensive Residential Treatment Services.

Archway Programs affiliated with Woods in 2013. It is headquartered in Atco, New Jersey and has locations in

Southern New Jersey. Archway serves 1,500 children, adolescents, and adults with intellectual and development disabilities and behavioral health diagnoses. Its continuum of services includes Early Intervention Services for infants and toddlers, Intensive In-Home Services for youth with autism, Special Education, -Before and After-School Programs, Vocational Support, Community Housing and Supports, and Partial Care Programs.

Tabor Services affiliated with Woods in 2014 and has locations in Philadelphia and Bucks County, Pennsylvania. Tabor serves 1,400 at-risk children, young adults, and families. In addition to operating one of the ten Community Umbrella Agencies (CUA) in Philadelphia, Tabor's continuum of services includes Foster Care, Treatment Foster Care, Special Needs Adoption, In-home Protective Services, Intensive Family Support, Family Reunification, Supervised Independent Living, and Youth Mentoring.

Woods Community at Brian's House has been an affiliate of Woods for more than two decades and has locations in Bucks, Chester, Montgomery, and Philadelphia counties, Pennsylvania. Brian's House serves more than 200 adults with intellectual and developmental disabilities. Its continuum of services includes Community Housing and Supports, Day Habilitation, Vocational Training and Supported Employment.

Woods Services is located in Langhorne, Pennsylvania

and has a national reach given its expertise in serving people who are medically and behaviorally frail and vulnerable. Woods Services presently serves 675 children and adults from 23 states and the District of Columbia in the intellectual and developmental disability, behavioral, and brain trauma public health sectors who have complex and intensive medical and behavioral healthcare needs.

## **Author Bio**

Peter Shubiak is a senior public health and social service executive with extensive experience in managing comprehensive and integrated systems of care for children and adults with intellectual disabilities, behavioral health, and co-occurring medical disorders. He currently serves as the Executive Vice President/Chief Operating Officer of Woods Services where he is responsible for executing growth strategies, including the acquisition and integration of other service organizations. He is responsible for overseeing the operations of affiliated organizations and for building a cohesive leadership team that is aligned with the organization's purpose, core values, and strategies.