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Growth Planning | Mergers | Integration



CEO Advisory Group Eases Merger Pains for Harborstone

Challenged with regional competition from the nation’s fourth largest credit union, Prevail Credit Union in Seattle, Washington—a small but financially sound institution with $247 million in assets—needed a plan to stay relevant. Prevail’s 16,000 members expected services such as business lending and mobile banking, which Prevail did not offer. And regulatory pressures were a growing concern. Prevail became open to the prospect of a merger.

Harborstone Credit Union was actively seeking a merger partner and was considering Prevail. The two CEOs knew each other: Prevail CEO Tom Graves and Harborstone CEO Phil Jones collaborated on the same committee of the Northwest Credit Union Association board. Graves was impressed by the way Jones and his board operated with their members’ best interests in mind.

Prevail and Harborstone successfully unified in 2012. It was the second largest merger to date in the state of Washington. The new institution had more than $1 billion in assets, 17 branches and 69,000 members. But it wasn’t easy to get there.

Harborstone engaged Glenn Christensen from CEO Advisory Group to explore the viability of merging with Prevail. Christensen guided the two credit unions through the six phases of the merger process:

1. Building Relationships

2. Discovery

3. Due Diligence

4. Approvals

5. Implementation

6. Lessons Learned

Laying the Foundation: Navigating the First Four Phases

Christensen helped facilitate discussions between the CEOs and board members to ensure that the best interests of both credit unions would be met. Graves notes that Christensen carefully recorded key points from those discussions in a Shared Understanding Document. As Graves—who had been through several mergers—



explains, the document “prevented the lack of trust and lack of clarity that typically shows up in a merger process.”

The Shared Understanding Document provided key input into the creation of a Letter of Intent for the two credit unions to merge, which Christensen worked with an attorney to draft. Christensen and the attorney also drafted a Supplemental Merger Agreement and employment agreements.

With Christensen’s assistance, the two credit unions were then able to secure regulatory approval for the merger, as well as a member vote in favor of the merger. The next step was to integrate the two credit unions smoothly.

Implementing the Merger

Staffing was a paramount issue. As Graves observes, “In other mergers I’ve been a part of, the acquirer came in with the attitude that ‘We’re the new guys and you guys are gone.’ It was important to us that CEO Advisory Group came in with the forethought and communication strategies that enabled us to offer all of the employees a guarantee of ongoing employment.”

Christensen worked diligently with both credit unions to identify the necessary executive positions and fair compensation packages. All Prevail employees were offered ongoing employment for at least one year. With Jones leading the new institution as president, Graves became the executive vice president.

In his new role, Graves was in charge of the integration phase. He outlined a vision for the combined credit union, with a vibrant new culture and a healthy blend of best practices from both Prevail and Harborstone, as well as a collaborative decision-making framework. Two of his goals were to:

- Retain members, employees and volunteers; and
- Position the credit union to best serve its members into the future.

With those ends in mind, Christensen worked with Graves to structure a successful integration process. They organized seven teams representing different functional areas, with each team comprising representatives from both credit unions. A spokesperson was assigned for each team, and this individual also served on the Merger Steering Committee. Christensen collaborated with the teams throughout the integration phase.

The teams held bi-weekly reviews to hold each other accountable and used CEO Advisory Group's technology platform for project management, document exchange and collaboration. As Graves explains, the platform "broke down communication barriers." Graves further notes that Christiansen "was a great facilitator in getting us up to speed on the platform."

Despite the challenges of integrating two large credit unions with different cultures, the leadership maintained committed to the vision. Graves says, "It was inspiring to see how the teams worked together. Despite the long hours and hard work put in, there was truly a sense of accomplishment that radiated among the staff."

Codifying Lessons Learned

As the integration process came to a close, Christensen conducted a series of interviews with the merger teams and individual interviews with key executives. This gave everyone a forum to voice their concerns while also collecting their best ideas so they could be applied to continuing integration efforts—as well as to any future mergers. The key findings were codified in a Lessons Learned document.

The documentation proved to be enormously valuable. Graves notes, "The Lessons Learned document that Glenn provided was really insightful. Of the 13 mergers I have been involved in, this is the only one that had that level of relevant and insightful documentation."

In the end, the merger was an incredible success. And from Graves' perspective, Harborstone was a perfect choice. "They share my conviction for doing the right things for employees and members," he says. One example of that was the construction of a new branch office in Kent, WA to serve the members of both credit unions.

This was a challenging merger in that it attempted to integrate the best practices and products of both credit unions in a very tight timeframe. Even so, the majority of merger objectives were achieved, resulting in substantial benefits for members, staff, and the community.

Expert Guidance Makes for a Smooth Merger

Graves recognizes the importance of relying on a trusted advisor's expertise. His advice: "If you're considering a merger, engage a facilitator. They can enforce best practices, demystify the process, and give the leaders of both credit unions a deeper understanding of what makes a merger successful. We had a positive experience with CEO Advisory Group. The process was well-articulated, we felt well represented, and Christensen was thoroughly invested in the process at every step of the way."