Alliances Are NOT Mergers:

What Problems Should You Expect?

Alliances have many advantages over mergers. But they have their own set of problems. Here are tips to smooth the way.

BY MAXINE MARKS TEITLER

Nonprofits have become extremely competitive with each other in their struggle for shrinking donor dollars. As donor bases become smaller, it is critical that nonprofits form alliances.

Doing so takes creativity. It also takes courage to ask the board to approve this new solution to an old problem. But first, it's important to understand what alliances are and what problems they entail.

HOW DO ALLIANCES & MERGERS DIFFER?

Forming an alliance isn't the same as merging with another organization. Mergers require bringing two organizations together to form one. There will be one leader, one mission, and eventually one culture.

In an alliance, on the other hand, you share resources with another organization, but you can remain competitive. You keep your own leader, mission, vision, and culture.

These differences can cause problems not found in a merger.

But alliances also have many advantages. You can save money by pooling resources with others. You can do so in three ways:

1. FORM INTERNAL ALLIANCES.

Internal alliances are formed within national or regional nonprofits. Here, the larger organization may provide services to a number of local chapters, divisions, or affiliates. The larger nonprofit might offer legal services, program development, insurance, materials for distribution, or other benefits.

Such alliances can help nonprofits serve their customers better and more economically. For example, an 800-number can be centrally located to cover many time zones and offer customers extended hours.

The downside to these internal alliances is that the larger organization may not understand the make-up of the local population. The diversity of a city such as New York can cause problems, for instance, if customer-service representatives aren't trained to respond to non-English-speaking people. The local organization must have a role in such training.

Smaller chapters can also form internal alliances with each other. Such alliances can be helpful when one chapter needs a service or resource the other has. For example, one small chapter couldn't afford to hire a technology director, but a larger chapter had such a director. The two chapters formed an alliance. Now the smaller chapter pays an hourly rate for the director's help. The two chapters share the payroll expense, and both have the benefit of technology expertise.

2. FORGE EXTERNAL ALLIANCES.

In an external alliance, two organizations come together to pool resources. The fact that each organization keeps its identity is both a strength and a drawback. It's important to be alert to likely problems:

Organizational Identity. In external alliances, issues of identity are critical. An example emerges from a recent alliance of two nonprofits. After negotiations that took over a year, the two organizations agreed to share space and services. Just before the move-in, a debate sprang up concerning placement of the logo and mission statement in the reception area. One organization had decision approval over the other's sign and didn't want to be overshadowed by the already-in-place logo and mission statement.

Discussions became heated. People involved in the day-to-day formation of the alliance were especially angry and threatened to withdraw from the alliance. The issue was finally resolved with patience, good negotiating skills, and compromise.

As this example makes clear, seemingly small issues can derail an alliance if you aren't careful. Most of your planning will center around the big picture, and it's easy to forget the day-to-day relationships that will emerge. Yet these relationships are the heart of a good alliance.

Different Cultures. Another important day-to-day concern is the clash of different organizational cultures. In one recent case, an alliance almost collapsed because the two organizations had disparate staff policies. One organization gave half-day Fridays in the summer; the other didn't. One gave staff a day off on Election Day; the other didn't. At first, there was grumbling, but both organizations came together frequently, giving everyone a chance to air their feelings. These meetings let people come to terms with their differences and remain productive.

Dissimilar management styles can cause conflict, too. One leader may be forward-thinking, while the other is old-school. Staff members sharing space may become discontented when exposed to a more progressive style. On the other hand, exposure to different approaches can be liberating and enlightening. The important thing is to be sure staff members have a chance to discuss their feelings and work through solutions together.

Stretched Resources. Employees may feel overburdened by the extra workload that alliances can bring. The receptionist who originally worked for one organization, for instance, is now working for two, answering twice the phone calls, greeting more visitors, and handling a greater variety of tasks. Unless employees feel they're being rewarded properly for the additional work, morale will suffer.

Employees may also have mixed loyalties. Hired by one organization, they now belong to the alliance and are working for a competitor. The situation may feel to them like a conflict of interest, and they may have trouble resolving their ambivalence. If unhappy staff members resist the change, turnover may become a problem.

Shortchanged Customers. To serve customers within a two-organization alliance, the original organization may begin to feel shortchanged in some areas. The employee now has an original customer and a new customer. Original customers may become disgruntled because they aren't receiving

the same quality of service that is the norm with new customers. Perhaps the norm needs to change, but in the meantime there can be unhappiness.

3. FORM ALLIANCES WITH FOR-PROFITS.

Another option is to form alliances with the for-profit sector. Over the years many corporations have made "loaned executives" available to nonprofits. This trend is growing as businesspeople seek a chance to make a difference and return something to society.

Some companies give their employees several hours a week to help a nonprofit organization. Others give people a chance to take a paid leave to work for a nonprofit.

Technology is a prime area for this kind of loaning. You can also take advantage of corporate experts in such fields as marketing and strategic planning.

HOW CAN YOU MAKE IT WORK?

The road to a successful alliance can be bumpy. But it helps if you address potential problems in advance. Here are tips to smooth the way:

1. Before forming an alliance, get input from the people who handle your organization's day-to-day work. They're the ones who see most clearly what can go wrong. Ask them to help develop solutions to potential problems.

2. Important as it is to maximize your resources, be careful not to overuse these resources. Before committing to an alliance, determine if expansion will stretch people too thin. If so, rethink the alliance, or begin a process of education to enlist staff support.

3. Don't let small problems stand in the way, but be aware of them to avoid nasty battles.

4. Get buy-in from the boards of both organizations. Make sure that board members understand the pluses and minuses.

5. Be sure that everything is out in the open.

6. Always negotiate an "out" in the formal agreement. This could be a time frame for renegotiating or a trial period to see if the alliance is working.

7. Give employees regular opportunities to discuss their feelings.

8. Find ways to show staff your appreciation for the extra work the alliance may entail.

9. Use teams to maximize human resources and help people adjust to the multi-organization network.

10. Reduce people's resistance by giving them time to prepare for the alliance. Involve them in decision-making, and keep them updated on developments. (See Rosenberg in "References".) ■

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Maxine Marks Teitler has a Masters of Science degree in human resources management specializing in organization development from the New School For Social Research, Milano Graduate School of Management and Urban Policy. During the past 18 years, Ms. Teitler has been in human resources in both the for-profit and nonprofit sector and currently is the director of employee resources at a chapter of a major nonprofit in New York. Maxine Marks Teitler is currently the president of PANO (Personnel Association of Nonprofit Organizations). She may be reached at 5 East 22nd Street, Apt. 18C, New York, New York 10010.

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