FUNDRAISING *forum*

High-End Strategic Alliances as Fundraising Opportunities

It may be the biggest nonprofit trend of the decade. Use this assessment tool and strategy list to make sure you're ready.

BY DAVID CAMPBELL

What kind of title is that? What kind of topic is this? Before you brush it off and turn the page, you should know that this issue will be critical in future nonprofit management, particularly for fundraisers. Read on, and you'll learn why and how.

What Are Strategic Alliances?

A strategic alliance is the coming together of organizations in which at least one partner gives up some independent decision-making in order to accomplish an organizational or community goal. Types of alliances exist along a continuum defined by the amount of independent decision-making partners give up. High-end alliances are those in which at least one partner gives up significant independent decision-making. Figure 1 lists types of alliances in order from least to most control given up.

Figure 1.

The Strategic Alliance Continuum: From Least to Greatest Control Given Up

1. Co-Sponsorship
2. Referral Agreement
3. Coalition
4. Consortium
5. Federation
6. Network
7. Joint Venture
8. Back Office Consolidation
9. Parent-Subsidiary
10. Acquisition
11. Divestiture
12. Merger
13. Consolidation
14. Conglomeration

Why Do Nonprofit Organizations Pursue Alliances?

Lack of resources is the biggest reason organizations are pursuing strategic alliances. They're seeking partners to gain the resources they need to accomplish their mission.

But the issue is more complicated than simply money. Money has never been in abundance in any nonprofit organization. It's changes in the nonprofit sector that are making nonprofit resource needs more dramatic. What are some of those changes?

Increased Competition. As many as 30,000 tax-exempt organizations are created each year in the U.S. Each of those 30,000 needs money to operate and will compete for resources with all the other nonprofit organizations already in existence. How do fundraisers for those organizations raise money when competition is so fierce? How does one organization distinguish itself from all the others?

Pressure from Funders. Donors have grown uncomfortable with the volume of requests for support they are receiving. Many foundations, corporations, United Ways, and other donors are pressuring organizations to consider alliances—usually high-end alliances such as mergers.

Lack of Organizational Capacity. Many nonprofit organizations lack the administrative capacity to do what they need to accomplish their missions. This is particularly true for newer, small nonprofit organizations. From a fundraiser's perspective, this limitation is often experienced as an organization's inability to hire any fundraising staff. Organizational size limits the number of administrative

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functions that are affordable. Fundraising capacity, even though it brings in money, is often viewed as a luxury that small organizations can't afford. But, if you can't hire a fundraiser and you need more money to operate your organization, you're faced with a serious dilemma. In effect you can't pursue the strategies needed to address your financial problems.

How Can Alliances Help Solve Your Financial Problems?

Strategic alliances can help generate the resources you need to operate effectively and accomplish your mission. High-end alliances allow the accumulation of greater total resources than low-end alliances because they bring organizations together under new governance structures. Those new structures centralize decision-making in such a way that effort can be focused on a singular set of fundraising goals. Those goals are the priorities of the combined partners, and a single board or executive director is accountable for the accomplishment of those goals. Competing interests are eliminated or minimized. In low-end alliances, resources are more loosely brought together in one specific area, and partners retain significant independent decision-making. Coordination of fundraising and other activities is difficult in such circumstances because partners retain their separate interests and make separate decisions on how to proceed in any situation.

Figure 2.

How High-End Strategic Alliances Create and Enhance Fundraising Capacity.

- Increase the number of fundraising staff.
- Provide access to donors from other organizations.
- Broaden your organization's constituency (and potentially its donor base).
- Combine boards to create greater fundraising expertise and access to new donors.
- Create new, collaborative fundraising events that build on partner strengths.
- Increase community awareness through more wide-reaching events.
- Bring in new fundraising competencies such as planned giving or direct mail.

There are several important ways in which high-end strategic alliances can help you improve your fundraising ability (see Figure 2). Here are some of them:

1. Increase the number of fundraising staff. Consider this example involving four human service agencies that recently completed a merger. Each had prioritized fundraising in its strategic plan, but no one agency was able to fund a full-time development position. One of the organizations had a part-time grant writer; another retained a consultant to help with special events. All other development activities conducted by the four agencies were done by the executive director (almost always doing double duty as the grant writer) or another program staffer. None of the agencies had met their fundraising targets. (Is that any surprise, given their lack of staff?).

The merger brought the resources of all four organizations together. They combined the resources already devoted to fundraising in the four organizations and applied additional money saved by eliminating duplication (for example, elimination of three of the four executive director positions). With these new resources, the new organization created a development department with a full-time director and grant writer. Figure 3 shows how the merger created a more effective fundraising effort.

Figure 3.

How a Merger Enhances Fundraising

Four Separate Independent Organizations	One New Organization
Limited, if any staff. No more than part-time fundraising staff in any one organization.	Two full time fundraising staff. Resources available to retain specialty consultation as needed.
Fundraising prioritized *without* the capacity to achieve stated goals.	Fundraising prioritized *with* capacity to meet established goals.
Fundraising responsibility spread throughout the organization without accountability.	Fundraising responsibility centralized, accountable, and represented as part of organizational decision-making.
Limited, if any, professional fundraising expertise.	An organizational department with experts.

2. Bring in new board members with fundraising potential. Fundraising isn't only a staff concern; it's also a critical board function. Nonprofit organizations need help from board members to raise money to operate. Strategic alliances are one way organizations can gain access to trustees with more fundraising muscle.

One merger, for example, brought together the committed, active trustees of the financially stronger organization with the equally committed higher-profile trustees of the other organization. Those trustee connections ensured that the new organization remained the beneficiary of a high-profile fundraising event, as well as new fundraising opportunities. The new organization benefitted from the access to high-profile trustees combined with a functioning development department. Those benefits weren't available to either organization before the merger.

3. Provide access to donors from other organizations, and broaden your constituency. Alliances aren't only about creating capacity, as in the above the example. They're also about enhancing capacity. What's the difference? Enhanced capacity refers to your organization's ability to improve its fundraising efforts. Alliances can enhance your fundraising capacity in several ways. First, they can provide access to a constituency that you wanted to reach but couldn't. For example, an alliance could bring arts donors together with social service donors, or eastside donors together with westside donors. Second, they can provide access to a particular fundraising competency. An alliance could bring together organizations with different but complementary fundraising skills, one with direct mail, the other with planned giving.

In a recent example, a smaller nonprofit was incorporated by a larger one; the smaller organization lost its separate identity, name, and independent status. The larger one experienced no material change in its status. The smaller organization was in a community on the outskirts of an expanding metropolitan area. The

Figure 4.

Fundraising Needs Assessment

Indicator	Level of Importance (1-5, 1 is most important, 5 is least important)	Needs No Improvement	Needs Some Improvement	Needs Great Improvement
1. The organization consistently meets its annual fundraising targets.				
2. Foundation solicitation effort				
3. Government grants/contracts effort				
4. Corporate solicitation effort				
5. Direct mail campaign				
6. Major donor campaign				
7. Planned giving program				
8. Fundraising events.				
9. The fundraising function is sufficiently staffed to meet the organization's needs.				
10. The organization has the expertise it needs to do fundraising well.				
11. The board takes an active role in fundraising.				
12. Board members have access to resources and donors that enable the organization to succeed at fundraising.				

community was growing and home to many young, affluent families. The larger organization had been working for a long time to raise funds from residents of that community but had been unsuccessful, since it had no constituency there to which donors could respond. Through this alliance, the larger organization gained access to the smaller organization's donors. Now, as a service provider in the community, the larger organization could claim a constituency.At the same time, the larger organization could conduct more effective fundraising than the smaller organization because it had a development department with several staff. In short, a clear win-win: more charitable dollars raised to support important service activities.

How Can You Assess Your Fundraising Needs and Build Alliances to Support Them?

Figure 4 is an assessment tool which reviews the major fundraising areas. It asks you to consider which are most important to your fundraising future and how you are doing in those areas. The outcome of this assessment will be a list of priorities. This list will help you decide how to improve your fundraising through strategic alliances and what kind of fundraising capacities you could look for in that alliance.

A quick example. If you find that trustee identification of potential donors needs improvement, and that this area is a high priority for your organization, then your strategic alliance efforts need to focus on identifying a partner who can help you achieve that goal. At the same time, if your planned giving effort is low priority and does not need to be improved upon, then selection of an alliance partner with a strong planned giving effort should not be important in your alliance planning.

How Can You Create Fundraising Opportunities in High-end Alliances?

Here are five strategies you can use to raise money as a result of your involvement in a high-end strategic alliance:

1. Generate stakeholder buy-in for your alliance. Successful high-end alliances include early and regular conversation with all participants' key stakeholders.You need to know what they think of a potential alliance before you pursue it. For example, will your strategic alliance support the service direction of your government funder? Does it represent the kind of direction your key foundation funders are seeking in the local nonprofit community? If the answer is no, you may decide that a strategic alliance isn't worth the damage it could cause to important stakeholder relationships. If, however, your stakeholders indicate that they like the idea of the alliance and it represents the direction they wish to pursue, then you have an opportunity to seek financial support for the alliance or associated new directions.

A corollary to this strategy is: Maintain or increase donations from donors you share in common. Organizations often fear that high-end alliances could result in a loss of support from donors the allying organizations share. Usually, that means United Way, or it could mean a foundation, corporate, or individual donor who supports each of the partners in the alliance. One way to address that concern is to meet with

CREATIVE FUNDRAISING IDEAS

Tap the Power of Women

Women are loyal donors and control vast amounts of wealth, yet they're largely an untapped source of serious gifts. Educate your organization's fundraisers about the importance of female donors and their differences from male donors. For instance, most women prefer to support innovative ideas rather than the status quo, and they may give more freely if asked by another woman.

Never Accept an Objection

Remember, an objection is not an attack; it is likely a question. If a prospect says, "I'm not willing to support your cause," probe. Ask why. Use objections to point out your organization's strengths. Turn an objection into a reason for giving. For other creative fundraising ideas, see *A Practical Guide on How to Raise a Pile of Money for a Good Cause* by Ebbe Marquardsen, 2407 Woodward Ave., Unit 13, Burlington, Ontario, Canada L7R 4J2 (905-336-6499).

Partner with Corporations

When communicating with corporations, don't refer to "donations." Instead, refer to "partnerships," "continuity grants," and "social responsibility," and show how the corporation's support will benefit the community. Keep in mind, too, that corporate donors tend to favor capital projects with high visibility.

shared donors before formalizing your alliance. Make the case that the increased value the alliance brings to the community merits ongoing or increased financial support.

2. Fund the development and implementation of the alliance. Here's an opportunity too many nonprofit leaders don't exploit. High-end alliances cost money–money for legal counsel, auditors, planning retreats, training, and so on. Generally, those funds aren't budgeted, and nonprofits rarely raise money to defray them. Yet most funders are happy to support high-end alliances. Once you've bought them into the idea, get their help in funding it.

3. Prioritize fundraising in the alliance formation process. Make sure that fundraising issues are talked about in the alliance formation process. Build fundraising into both the assessment and implementation parts of the process. Create a fundraising subcommittee that first conducts an assessment of each partner's fundraising efforts and then a plan for implementing fundraising in the alliance. The assessment should include, for both partners, the needs identification we looked at earlier. The implementation should include strategies to build on partner strengths and maximize capacity. If fundraising is a priority in alliance formation, fundraising will be a priority in alliance implementation. You need to think about and prioritize fundraising from the start.

4. Find a role for constituents. One of the greatest dangers in high-end alliances is losing the volunteers, donors, community leaders, and other constituents (including former board members) who are critical fundraising resources. Successful high-end alliances develop strategies for keeping them involved. One approach is to ask them to be part of a new advisory committee. This is a good issue for the fundraising subcommittee, discussed above, to address.

5. Retain brand identity (if it's an asset). One of the biggest fights that takes place in high-end alliances is identity. Everyone likes the idea of the alliance, but no can agree on the name. What matters is what's best for the organizations involved in the alliance and their ability to accomplish mission. If a particular name has high community recognition and brings in money, figure out a way to use it and keep it. ■

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These resources are available from the Society's Resource Center, 608-274-9777, Ext. 221, www.danenet.org/snpo.

David Campbell, Ph.D., works at the Community Service Society of New York, 105 East 22nd Street, New York, N.Y. 10010, 212-614-5564, dcampbell@cssny.org. He is a contributor to Secrets of Successful Fundraising, *from which this article is adapted, and is a faculty member with the Learning Institute for Nonprofit Organizations (see "References.")*