THE NONPROFIT TIMES™

The Leading Business Publication For Nonprofit Management • www.nptimes.com • $6.00 U.S. August 1, 2010

STREETSMART NONPROFIT MANAGER THOMAS A. MCLAUGHLIN

Who Are You?

Mergers don't mean lost identity

If there is a common concern voiced by senior managers considering an organizational merger, it is lost identity. This fear is nearly universal, especially with smaller organizations. Usually it is expressed in terms such as "we'll get swallowed up" or "we'll get lost in the shuffle." The fear is of forced, undesired assimilation.

Mergers don't have to mean lost identity. But this statement is only as strong as its last word, and there is little instinctual agreement about what that simple word "identity" really means. Is it the corporate structure? Is it the sign in front of the main building? Is it the logo? Is it the culture of the organization or the image community members have of it?

To different people, the organization's "identity" almost certainly means different things. So it might be easier to pinpoint what is not a part of organizational identity.

CORPORATE STRUCTURE

Let's unpack the common elements of organizational identity in many nonprofits. It starts with a simple equation: one program=one site= one corporation. For many people, especially employees and volunteers of small nonprofits, these three elements are fused. In this view, a single program is operated at a single site by a single corporation. In fact, the first two elements are typically the only important ones in the equation since most people give little thought to the corporate status of nonprofit programs.

Corporate structures are not a meaningful part of a nonprofit's identity. Nor are any of the trappings of corporate structure, nor any common administrative tools like software or management processes part of it. People do not feel positively about an organization because they have a fondness for its corporate structure. Most people, especially consumers of an organization's services, usually have no idea what constitutes its corporate structure – nor should they.

But the common fusion of one program=one site= one corporation has had the effect of subtly linking corporate structure with program model. As a result, executives and board members can sometimes see a corporate structure as akin to an historic building. Unlike a building, though, if the time for a century-old corporate structure has passed there is no benefit from prolonging its existence.

WHAT IS ORGANIZATIONAL IDENTITY?

Everyone has a different idea of an organization's identity. Board members tend to think of organizational identity as the sum total of excellent programs and services, and the positive associations that people in the community have for the organization.

Nonprofit executives have a duplex view. They will tend to share the outside focus of board members, seeing the organization's identity reflected in the eyes of stakeholders. They will also have an internal focus driven by programs and services and the staff members who work in them.

Managers usually think of identity in terms of the program or programs for which they are responsible, plus their colleagues. Direct service employees will more often think of an identity that derives from their consumers, co-workers, and the physical work environment.

True organizational identity has to come from the community's perspective as well, not just the instinctive emotional attachment that board and staff members have for their organization. This means that the name and the logo and the associated trappings are an important part of identity – but the least important part.

What really matters about organizational identity is the nature of the interaction between community members, especially direct consumers, and the organization. Most nonprofits exist to meet social needs, and the way an organization meets those needs is the basis for what the outside world thinks about it.

This is the beginning of a discussion about branding, which is the truly important part of organizational identity. For most practical purposes, the important external element of a nonprofit's identity is its brand name and the consumer experience associated with that name. A good brand name is recognizable, has a consistent message associated with it, and communicates a set of values.

This is the part of "organizational identity" that deserves careful handling. The ability to create and manage the experience underlying the brand is the foundation of the true value of an organization. The positive things it brings an organization are too numerous to count, but one of the most important is that the brand can attract revenue of all kinds to the organization. To consumers and funders, a good brand is the best risk reduction technique available -- in effect, it means that they aren't likely to have a bad experience with that organization.

So when an organization fears a possible loss of identity from a merger, it is not always a groundless fear, although it is often misplaced. A good brand has real external value, even if that's not usually where insiders look most closely.

THE FATE OF BRANDS

All of these positive aspects of a solid brand identity share one element in a merger: there need not be any change in the brands of the respective organizations. In fact, changing a solid brand could well result in a dip in financial and organizational performance if it is not handled carefully. Preserving the two (or more) brands can be accomplished no matter what the corporate structure of the final entity might be, simply because a brand is not linked in any way with a specific corporate structure (for a way to preserve all brand names, see *Management Company Model* in *The NPT*, July 2010). The decision about whether to change one or both brands should only be based on the resulting impact on the revenue streams, and the overall economic integrity of the new entity.

If there is no necessary linkage between organizational identity, or brand, and the reorganization involved in a merger, why is there so often resistance to the idea of a change? This derives partly from the assumptions and preconceptions many people bring to the question. It also comes from the intuitive expectation that, while a merger can be designed in such a way as to be practically invisible to consumers and funders, it will not be seamless to employees of an organization.

Managers' programs might change, the total number of their colleagues will swell, and direct service employees could see changes in their co-workers and their physical work environment. That internal sense of identity will start to rely less on a fixed group of individuals and a physical setting and more and more on things like shared values, a common language, and an intellectual acknowledgement of important common goals. This is a positive development, but not always an easy one to master.

Organizational names carry lots of emotional baggage for all concerned. For consumers and those outside of merging organizations, it is always a good idea to minimize the disruption as much as possible. For insiders, disruption in organizational identity is almost inevitable, although the negative aspects can be minimized through careful management. Understanding the dynamics of organizational identity for each entity makes it more likely that all parties can be satisfied. *NPT*

Thomas A. McLaughlin is vice president of consulting services, Nonprofit Finance Fund, and a member of the faculty at the Heller School for Social Policy and Management at Brandeis University. This column is adapted from the second edition of his book Nonprofit Mergers and Alliances (Wiley, June 2010). His email address is tom.mclaughlin@nffusa.org