

ARTICLE  
JUNE 10, 2002

## Making a Merger Go Smoothly for Nonprofit Workers

By Marilyn Dickey

IN THE TRENCHES

By Marilyn Dickey

When the American Cancer Society's New England offices merged to form one regional division in the mid-1990s, every employee except the chief executive officer had to reapply for a job in the new organization. With everything up in the air, the merger's leaders knew the staff would be under intense stress and rumors would fly.

To keep employees abreast of the changes -- and to control the rumor mill -- the organization's leaders started a weekly newsletter featuring updates about the merger and instituted a "grapevine" system, says Karen Rouse, senior vice president for communications and marketing of the merged organization. "Grapeviners" were employees who were assigned to be liaisons between other staff members and the merger's leaders. Without mentioning their sources, the grapeviners passed along any rumors or concerns about the merger that they thought should be discussed in the newsletter.

The system worked. When rumors started making the rounds, the newsletter quickly set the record straight.

Even the best-planned nonprofit mergers take a toll on staff members. Employees fear that they will be laid off. They worry about their salaries and benefits, who their supervisors will be, where their offices will be located, whether they'll have more or less responsibility, and if they will have to travel more. When answers aren't forthcoming, rumors begin to circulate and morale plunges. Giving workers consistent information, getting their feedback, and taking steps to see that people are treated fairly throughout the process can make a difference not only in employee morale but also in the success of the merger, say nonprofit consultants and managers familiar with merger situations.

"Even if you've negotiated a perfect merger, the implementation and integration of that merger is a critical process," says Bill Coy, human-resources consultant for La Piana Associates, in Oakland, Calif. "Mergers might look elegant on paper, but the reason they succeed or fail is in the people issues."

Constant communication with employees is key, says Dan H. McCormick, a nonprofit-management consultant in Williamston, Mich., and author of *Nonprofit Mergers* (Aspen Publishing, 2000, \$57). And forming a "rumor-control team," he says, can keep inaccurate information from going too far.

"The makeup of rumor-control teams is critical," he says. "It can't be a constant message from the highest levels of the organization because that's where the distrust begins. So you build a team with people all the way down into the lowest echelons of the organization. Then someone at the highest levels is charged with communicating with that team, who can then spread information out over the water cooler."

### Why Charities Merge

At the first whiff of a merger, employees tend to panic, says Mr. McCormick. They read about for-profit mergers in the business news and hear about massive layoffs and think the same will happen to them. But for-profit and nonprofit mergers occur for very different reasons, and under different circumstances, he says.

Businesses that merge usually do so to please their stockholders. "They usually have Wall Street breathing down their necks," he says. Nonprofit organizations usually merge because one of the charities is having



financial trouble or because the groups can more easily pursue their missions by combining forces. Nonprofit mergers take much more time to plan, he says, and usually require few if any layoffs.

It isn't unusual for the merged organization to attract more grants or other donations than the individual groups could, says Thomas A. McLaughlin, senior manager of management-advisory services at Grant Thornton, a consulting group in Boston that works with nonprofit clients. Also, he notes, most charities are short-staffed, and the merger of two or more organizations doesn't reduce the need for employees except at the very highest levels. Sometimes, staffs may even expand in the wake of a merger: Since the joining of the Cancer Society chapters in the Northeast, for example, the staff has grown from 300 to 450 employees, says Ms. Rouse.

Long before a merger is final, the dialogue begins between the merging organizations. In October, the Brady Campaign to Prevent Gun Violence, in Washington, with a staff of nearly 60 employees, decided to merge with the Million Mom March, an all-volunteer group that stretched across the country but lacked a headquarters. Both organizations were focused on the same mission, but news that they would merge generated anxiety among workers in both groups. The Million Mom March volunteers were afraid their voices would be lost in the larger organization, and Brady Campaign staffers were concerned they would lose their national focus, says Amy Stilwell, communications director of the new organization, the Brady Campaign to Prevent Gun Violence United With the Million Mom March.

To ease the concerns of the volunteers, Ms. Stilwell says, the Brady Campaign's president and other top staff members went on a "listening tour" to some of the local Million Mom March chapters and also held meetings with Brady Campaign employees, explaining how the plan would help both groups in their missions and how the merger would work.

"When we broke it down into its component parts and they could see how it was going to work, everybody calmed down," says Ms. Stilwell. "A time that could be edgy was greatly mitigated by talking."

#### **A Shared Vision**

Two Columbus, Ohio, AIDS organizations that merged three years ago went even further in their efforts to create a smooth transition. The Columbus AIDS Task Force and Metropolitan Residential Services, which provided services and housing for people with the disease, moved into the same building more than a year before the merger was official, says Gloria J.T. Smith, who was executive director of the Columbus AIDS Task Force and is now executive director of the Alzheimer's Association's Tampa Bay chapter, in Florida. Doing so gave employees time to become acquainted with their new colleagues, Ms. Smith says. With both groups sharing a building, staff members started to mingle and have lunch together -- so by the time the merger happened, they were no longer strangers.

When the organizations don't end up under the same roof, they need to make a greater effort to keep all entities in touch, says Jan Masaoka, president of CompassPoint Nonprofit Services, a nonprofit consulting firm. When the organization's San Francisco and San Jose offices merged, they retained both buildings, but Ms. Masaoka made a point of dividing her time between the two. One month her group held its staff meeting in San Francisco, the next month in San Jose, a practice that continues. "We made sure that the management staff was very frequently at both locations to try to build some personal ties and presence," she says.

Alfredo Vergara-Lobo, a staff consultant at CompassPoint, suggests arranging time away from the office for employees to get to know one another. Merger negotiations are like dating, he says, and a "fun retreat" can help break the ice. "One common activity that people love is to talk about the new vision of the organization," he says. He suggests talking about what they would like to see in a front-page news story about the organization in 15 years.

#### **Salaries and Titles**

Job titles matter greatly to nonprofit employee concerns during a merger, says Mr. Coy of La Piana Associates. Titles reflect the investment people have in their jobs, he says, indicating their responsibilities and how their employer recognizes their work. They're almost more critical than compensation, he says: "If you don't pay people enough, they're not going to be happy. But if you pay people more, it's not necessarily going to make them happy."



That's not to say that salaries are unimportant, however, he adds. Many merged organizations take steps to even out the pay scales between their component charities, but how they do so depends on their resources. The easy solution is simply to raise the lower pay for comparable jobs, but that's not always practical. When Ms. Smith headed the merger of the Columbus AIDS organizations, she discovered that the two groups had very different pay scales. When she couldn't raise the pay of some people to match workers from the other organization, she told those making more that their salaries would stay the same but they shouldn't expect raises in the next few years. "They understood that was fair," she says, and the higher-paid workers stayed at the organization.

It can take up to three years for merged nonprofit cultures to blend comfortably, says Mr. Coy. "It occurs when the organization's new combined staff has had a chance to work through one or two major issues -- or even a crisis -- together, and they've created a new way of doing things."

But with luck, and a lot of work, it can happen sooner. When the board of Family Service Agency, in San Jose, voted to merge with another group in April 2000, the charity's president, Jeanne Labozetta, took immediate steps to help the affected workers feel good about the impending changes. She organized programs to help the staffs of the two groups become acquainted in an informal setting and put in place changes that the employees had asked for, such as reducing paperwork.

At a recent management retreat, Ms. Labozetta says, employees talked about how the merger was going, and the consensus was that workers had stopped being territorial, were more involved in team work, and were starting to feel happier about the changes. "We feel that within the last six months," she says, "we have really made a quantum leap in terms of morale."

The process of merging can be painful as well as productive, Mr. Coy says. "There are going to be gains and losses," he says. "Change is not something people enter into readily or easily, and some people end up leaving the organization. It doesn't work for them or it isn't something they want to do. And that's really OK."

But for others, a merger can result in an organization that has more to offer employees in terms of growth and development. To get that point across, a charity's leaders have to explain to workers what is going to happen and why. "Why does it make sense for this organization now? What are the opportunities for the organization and the individual?" Mr. Coy asks. "You have to articulate that -- the idea of being part of an exciting adventure. You have to capture the enthusiasm."

Has your nonprofit organization merged with another group? Tell us how it went in the Share Your Brainstorms online forum.

© 2020 The Chronicle of Philanthropy

1255 23<sup>rd</sup> Street, N.W.  
Washington, D.C. 20037