



CASE

MANDEL CENTER FOR NONPROFIT ORGANIZATIONS

*Strategic Alliance Case Studies:
The Role of Trust*

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Nonprofit Strategic Alliance Case Studies: The Role of Trust

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Strategic Alliance Project

The Mandel Center for Nonprofit Organizations, founded in 1984 at Case Western Reserve University, is a university-wide academic center and a partnership of the Mandel School of Applied Social Sciences, Weatherhead School of Management, School of Law, and the College of Arts and Sciences. Its mission is to enhance the effectiveness of nonprofit leaders and managers and the organizations they serve through education, research, and community service.

In 1998, the Mandel Center began the Strategic Alliance Project, funded primarily through a grant from the W.K. Kellogg Foundation, to build bridges between the academy and the community. Since its inception, this project has enabled the Center to expand its scope and build its capacity in each of its three functional areas: education, research, and community services. Project related activities have built new bridges between the Center and nonprofit leaders and managers, between the Center's three functional areas, and between the Center and the Mandel School of Applied Social Sciences.

Over the last six years, the Strategic Alliance Project has added significantly to the literature and learning regarding strategic alliance development. Chief among its activities, the project has:

- Conducted a comprehensive literature review of strategic alliance development in both the for-profit and nonprofit sectors
- Carried out a national study of 65 nonprofit organizations' experiences in establishing strategic alliances
- Developed in-depth case studies of selected strategic alliances
- Conducted a nonprofit leadership roundtable focusing on the similarities and differences between nonprofit and for-profit strategic alliances
- Developed and offered workshops on strategic alliances to professional and lay leadership in various cities throughout Ohio
- Presented papers on strategic alliance development at a number of national and/or international conferences
- Participated in national forum discussions on strategic alliance development with other academicians and consultants
- Engaged in a number of organizational consults with nonprofits to determine the feasibility of creating strategic alliances
- Developed and incorporated a Strategic Alliances course as part of the curricular offerings of the Mandel School of Applied Social Sciences

The Strategic Alliance Project is directed by Dr.

John A. Yankey, the Leonard W. Mayo Professor at the Mandel School of Applied Social Sciences. He has been most ably assisted in the project's work by Ms. Barbara Wester Jacobus, Ms. Ann Lucas, Ms. Amy McClellan, and Dr. Carol K. Willen. In addition, numerous students from the Mandel Center's Masters in Nonprofit Organizations Program and the Mandel School of Applied Social Sciences' Doctoral Program have played important roles in planning and carrying out project activities. Dr. Susan Eagan, Executive Director of the Mandel Center, has provided unstinting support of the work carried out by the project, thus making it possible to maintain a consistently high quantity and quality of productivity.

Much of the work of the Strategic Alliance Project is reflected in the three previously published working papers and/or pamphlets of the Mandel Center co-authored by various members of the project team:

- *Nonprofit Leadership Roundtable on the Similarities and Differences Between Nonprofits and For-Profit Strategic Alliances*
- *Nonprofit Strategic Alliance Case Studies: Lessons from the Trenches*
- *Merging Nonprofit Organizations: The Art and Science of the Deal*

Additionally, the following works also have been developed and published by members of the project team:

- "Managing Mergers and Consolidations" (a chapter in *Skills for Effective Management of Nonprofit Organizations* published by NASW Press in 1998)
- "Strategic Alliances" (a chapter in *The Jossey-Bass Handbook of Nonprofit Leadership & Management* published by Jossey-Bass/John Wiley & Sons in 2005)

During the last two years, one of the major activities of the Strategic Alliances Project team has been to study the role that trust plays in the development of nonprofit strategic alliances. This focus was an outgrowth of the importance

attached to trust by both practitioners and academicians involved in the development and study of strategic alliances. In addition to conducting a comprehensive literature review on the subject of trust and obtaining the perceptions of many executive directors and board members regarding its importance, project team members selected three different strategic alliances in order to analyze the role of trust in the development of each. *Nonprofit Strategic Alliances Case Studies: The Role of Trust* - presents the results of this effort. It is hoped that this publication will deepen understanding about the challenging complexities of developing nonprofit strategic alliances.

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with the Mandel Center for Nonprofit
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In the literature, many authors attempt to impart an understanding of trust by crafting definitions or attempting to draw distinctions among different types of trust. Some authors regard trust as something that can be purposefully built and maintained, while others contend that trust emerges organically when relationships and situations are managed in ways that help to foster its development. Despite the differences among various theorists' definitions of trust, descriptions of types of trust, and explanations of the ways in which trust can be built, similar elements and themes tend to recur.

The idea that trust encompasses an *expectation* of future *behavior* is a common element in a number of trust definitions (Blackburn, 1998; Shaw, 1997; Fairholm, 1994), while other definitions suggest a certain degree of *risk* and *vulnerability* (Heimer, 2001; Yamagishi, 2001; Scholz, 1998). Still other definitions of trust go beyond reliance on future expectations to include an element of *shared belief* and *mutual interest* or incentive (Hardin, 2001; Lewis, 1999; Levi, 1997). The following definition by Mayer, Davis, and Schoorman appears to summarize many of the identified dimensions of trust: "The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (1995: 712).

Christel Lane, in the introduction to *Trust Within and Between Organizations: Conceptual Issues and Empirical Applications* (1998), identifies three distinct types of trust. The first of these, *calculative trust*, appears to correspond with new situations or relationships. It involves a level of uncertainty and risk and is based, in the absence of more certain or concrete information, upon the reputation of a potential partner. In calculative trust, the parties consider and assess the expected costs and benefits of working together in specific ways. The other types of trust described by Lane are *cognitive trust*, which develops from sharing

common understandings and ways of thinking, and *normative trust*, which is based upon shared values and a sense of mutual obligation. Normative trust can encompass the concepts of solidarity, loyalty, and genuine concern for the welfare of a partner. In a later chapter of the same volume (1998), John Child, who examines trust within the context of international strategic alliances between for-profit companies, suggests that these types of trust develop sequentially – from calculative, to cognitive, to normative – during the alliance formation process.

The characteristics listed below help to capture the common themes and dimensions of trust that appear in the literature and the ways in which they have been variously described:

Risk:

- ◆ Vulnerability
- ◆ Willingness to be vulnerable
- ◆ Strategic uncertainty
- ◆ Inability to control another's actions

Expectation of behavior:

- ◆ Accountability
- ◆ Authenticity
- ◆ Positive beliefs about future actions
- ◆ Confidence that one's vulnerabilities will not be exploited
- ◆ Shared understandings and beliefs that people will act in certain ways

Mutual obligation:

- ◆ Reliance
- ◆ Dependence on another to achieve a common purpose or to adapt as necessary
- ◆ Shared values

In order to build upon our previous research for *Merging Nonprofit Organizations: The Art and Science of the Deal* (2001) and *Nonprofit Strategic Alliance Case Studies: Lessons from the Trenches* (2001), we decided to take a closer look at the role of trust in the development of strategic alliances among nonprofit organizations. We selected three different kinds

of strategic alliances as the basis for exploratory case studies. These studies are descriptive and do not represent a formal analysis, nor do they seek to present a particular theory or research question. They recount the processes organizations used as they came together, highlight the perspectives of the participants closest to the alliance formation process, and identify what impact, if any, the presence or absence of trust may have had on this process.

Before presenting the three cases, however, we wish to explain our characterization of the *absence of trust*. We attempt to draw a distinction between the term “mistrust” and the term “distrust.” As used in these case studies, the latter simply refers to a lack of trust or confidence, while the former carries the additional connotation of doubt or suspicion.

As a way of exploring the extent to which trust was present during alliance formation, we developed interview questions for this round of case studies that were specifically designed to elicit and highlight characteristics of trust identified in the literature. The case studies represent three kinds of alliance – merger, consolidation, and joint venture. These are three

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The AIDS Taskforce of Greater Cleveland

Background and Overview

In 1981, unusual infections began to emerge in healthy gay men, infections which later came to be identified as symptoms of HIV/AIDS. By 2002, there were 70 million recorded cases of HIV/AIDS worldwide, with 110 million cases expected by 2010. Early in the epidemic, gay men with HIV/AIDS experienced mistreatment and outright discrimination, leading to loss of jobs, housing, and traditional family support systems. In response, voluntary agencies with missions focused on alleviating such mistreatment and meeting the emerging needs of people with HIV/AIDS, began to spring up. The first such agency to emerge in Cleveland was the AIDS Taskforce.

The passage of the national Ryan White Care Act in 1990 made millions of dollars available for HIV/AIDS care. This new money encouraged the founding of additional HIV/AIDS organizations that in turn developed increasingly specialized areas of care. Within a year, Cleveland's HIV/AIDS-serving agencies grew from one to five, many of them founded by former board members of the AIDS Taskforce.

Formed in 1983 and legally registered as a nonprofit in 1994, the AIDS Taskforce of Greater

Cleveland (the Taskforce) is Northeast Ohio's largest HIV/AIDS service organization. Prior to its merger with the AIDS Housing Council, the Taskforce had 42 staff members and a budget of \$2.1 million, requiring about \$500,000 in non-grant fund raising.

The majority of AIDS Taskforce clients are gay men who are poor, have a history of alcohol and other drug abuse, and are African-American or Latino. For most people served by the Taskforce, HIV infection is only one of many challenges. Few clients have cars, jobs, or supportive family systems. The AIDS Taskforce, which reaches nearly 20,000 Clevelanders each year, offers a number of programs and services including:

- ◆ Supportive services (case management, financial assistance, transportation, and counseling)
- ◆ Nutritional services (counseling, education, food, and home-delivered meals)
- ◆ Education (targeted, research-driven, culturally specific prevention programs and interventions)
- ◆ Partnerships and collaborations with complementary organizations and programs
- ◆ Public policy leadership, as a leading voice in key debates and advocacy initiatives related to

HIV/AIDS

The AIDS Housing Council of Greater Cleveland (the Housing Council) was formed in 1988 by a group of community leaders concerned with the lack of housing for people with AIDS. Its mission was “to strengthen the community’s ability to care for people with AIDS and HIV-related illnesses by providing housing, needed support and referral services.” At the time of the merger, the Housing Council had 18 staff members and a \$1.3 million annual budget. The agency served people with HIV/AIDS who were homeless due to problems with landlords or who were experiencing difficulty finding affordable housing. The AIDS Housing Council served nearly 700 people with AIDS each year through:

- ◆ Independent housing assistance (advocacy, referral, and case management to help secure housing)
- ◆ Kamana Place (group home for homeless persons with AIDS)
- ◆ Hebron House (temporary housing for displaced or homeless persons with HIV/AIDS)
- ◆ Carey East and Carey West (apartments for persons and families living with HIV/AIDS)
- ◆ Emergency financial assistance (for persons with HIV/AIDS facing eviction or loss of utilities)
- ◆ Monthly rental assistance housing

On January 1, 2001 the AIDS Housing Council merged with the AIDS Taskforce of Greater Cleveland. A merger is a statutorily defined alliance in which one organization is totally absorbed by another with the absorbed organization being completely dissolved and the surviving entity owning the assets and liabilities of both. The new organization, the AIDS Taskforce, has a budget of \$3.7 million, more than 64 staff and 21 board members including four from the previous Housing Council board. The mission of the merged organization is “to provide compassionate and collaborative response to the needs of people infected, affected, and at risk of HIV/AIDS. This is

accomplished through leadership in prevention, education, supportive services and advocacy.”

Driving Forces

By 1994, clients of Cleveland’s HIV/AIDS-serving organizations began to question the necessity of traveling to multiple locations to get their needs met. In 1996, agency leaders came together to discuss the possibility of forming alliances to consolidate service provision. Despite a careful review, no decision for action was reached. Reasons cited included a lack of the following: 1) board involvement from some of the agencies; 2) commitment from one or more of the directors; 3) external conditions lending a sense of urgency to align or merge; and 4) clear, identifiable, and specific outcomes from any potential alliance or merger. Despite the environmental realities such as duplication of services and a shrinking donor base, some leaders were reluctant to give up their leadership role or their agency’s identity and autonomy. With an economy able to sustain five agencies, external reasons to merge seemed less than compelling.

By early 2000, however, conditions had changed dramatically. The economy had softened and Cleveland could no longer support five separate HIV/AIDS organizations. The AIDS Housing Council, under the leadership of a new director, had been experiencing serious financial difficulties for some time. It became increasingly clear to senior staff and trustees that fundraising revenues were not matching expectations and bills were beginning to accumulate. The agency did not have the resources to create or implement a development strategy and absent a strategy, appeals to donors and foundations were often declined. In addition, the Housing Council, having built two housing complexes with HUD funding, lacked both an operating plan and the additional funds necessary to manage the buildings. This situation led to a financial and public relations crisis, and the agency was on the verge of closing its doors on December 15 of that year.

According to the Executive Director of the Taskforce “our line staff and their line staff were very directly connected, and we would hear the gossip about financial problems and over time, the volume of that conversation increased dramatically.”

Partner Selection and Formation

In this precarious situation, the Housing Council approached its largest funder, the AIDS Funding Collaborative, for operational dollars. The request was declined and the Housing Council was advised to hire a consultant to help the organization explore merger possibilities. Aware of the Housing Council’s problems, the AIDS Taskforce had already hired a consultant to discuss how to strategically approach the council. Coincidentally, both agencies had approached the same consultant who then advised them of the potential conflict of interest. The agency leaders decided to jointly hire the consultant as a neutral facilitator for potential merger talks.

From the inception of the merger discussions, AIDS Taskforce leaders had a poor impression of the AIDS Housing Council. Its financial status was clearly in jeopardy, and the management capability of the relatively new executive director was unknown. Limited disclosure of key information by the Housing Council during the initial encounters between the two organizations made it difficult for the Taskforce to gain an accurate picture of what it might encounter. The Housing Council, for its part, seemed to have a positive impression of the Taskforce’s management capabilities, financial status, and overall dependability, but was concerned that the Taskforce might take advantage of the Housing Council’s vulnerability and simply “acquire” it, instead of engaging in a merger of equals.

At that point, there was little apparent risk for the Housing Council in merging because its financial position dictated the decision. Indeed, merging represented the only viable option for

survival. The Taskforce, however, felt that it would be taking a considerable risk. The merger would increase its budget from just over \$2.1 million to \$3 million, and the HUD building management alone was an enormous responsibility. Moreover, the merger process and integration could potentially consume the time and energy of both organization’s key management and staff.

A private conversation between the two board presidents, both champions of the merger concept, led to a meeting on October 3, 2000, at which the AIDS Housing Council leadership made a formal request to merge with the AIDS Taskforce.

Issues Critical to the Decision to Proceed

Participants from both organizations knew that the merger process would be difficult and would be complicated by negative feelings and an extremely tight time frame. The reasons to merge, however, were compelling, and the Taskforce leadership, with additional support from the Housing Council’s board chair, felt they had to see this merger through. The agencies shared a significant number of clients and a vision for a comprehensive and coordinated service delivery system that could be realized through a merger. Some economies of scale could eventually be achieved, freeing dollars that could then be directed toward improved services. Both organizations recognized that if the Housing Council went out of business, an enormous service gap would exist in the community, since no other AIDS-serving agency provided housing in the Cleveland metropolitan area. Finally, the fact that both agencies had confidence in and seemed to place a certain degree of trust in the consultant hired to facilitate the merger, allowed for the drafting of a joint agreement and enabled the consultant to collect materials from each agency in order to complete a side-by-side analysis.

At a second meeting held one week after the October 3 meeting, the leadership of the two

organizations agreed on broad principles, timelines, and action steps for a merger. They also articulated a shared understanding that uninterrupted provision of quality services to clients needed to be the ultimate goal and guiding principle of the merger process. They openly discussed potential hurdles and outlined their expectations for the merger.

The AIDS Housing Council's expectations included:

- ◆ Retention of program integrity
- ◆ Stability of services for both clients and the provider community
- ◆ Consideration of Housing Council employees' futures
- ◆ Necessity for extensive financial and legal due diligence review
- ◆ Determination of the infrastructure needed to sustain and expand programming

The AIDS Taskforce's expectations centered on:

- ◆ Retention of program integrity, including the employment of the best people
- ◆ Avoidance of disruption in service delivery
- ◆ Maintenance of financial integrity
- ◆ Analysis of each organization's programmatic strengths and weaknesses in order to plan for the evolving needs of people with HIV/AIDS
- ◆ Utilization of existing AIDS-related data to guide decision-making regarding future programs, services, and infrastructure
- ◆ Effective and timely communications with clients, supporters, and constituent communities of both organizations regarding the merger initiative and ongoing progress updates on the discussions

The organizations openly discussed hurdles to a successful merger, including:

- ◆ A "rush to merge" that might preclude adequate analysis of programs and services, personnel policies and practices, required infrastructure, financial issues, property management, legal issues, and governance
- ◆ Protracted discussions that might

unnecessarily delay operational and programmatic integration and result in a period of substandard services for clients, erode support from the donor community, and cause administrative inefficiency and confusion

- ◆ The fact that fund raising by the Housing Council during the merger process would be diminished, making the organization a less attractive merger partner from a financial standpoint and threatening the financial stability of the merged entity
- ◆ The possibility that some board members might be resistant to the merger and choose to resign

In order to address some of these obstacles and provide a tangible demonstration of their mutual commitment to the merger, the organizations drafted a joint agreement that included the following operational steps:

- ◆ The executive committee of each organization would participate in the other's board meetings.
- ◆ The AIDS Taskforce would seek funding for outside expertise to integrate the two donor databases and carry out joint fund development activities.
- ◆ The Executive Directors would communicate jointly with the staff and clients of both organizations regarding the initiation and ongoing status of merger discussions.
- ◆ The organizations would develop and issue a joint press release alerting the community to the initiation of merger discussions.
- ◆ The organizations would hire a consultant to facilitate their work.

Alliance Formation Process

Once the organizations made the decision to proceed with the merger and outlined the initial merger parameters in the joint agreement, they formed a merger committee made up of the two executive directors, two board presidents, and two board vice-presidents. The committee agreed to meet formally once a week, hold additional face-to-face meetings in between, and have daily one-on-one phone conversations. The

executive director of the AIDS Taskforce served as the point person for the merger committee, coordinating and facilitating information flow, consultant work, and communications. The committee drafted a detailed operational plan for the merger, specifying steps and timelines and designating responsible parties. The consultant who had been engaged to facilitate the initial merger discussions continued to lead the merger formation process.

Topics of the committee meetings held throughout October 2000 included the vision for the merged agency as a provider of seamless service delivery to the community and the effect of the merger on trustees and staff. The agencies conducted a side-by-side analysis of each other's management and service capacities, database integration potential, and finances. At this point, the question of leadership was not on the table.

Once the committee was formed and the staffs of both agencies were made aware of the impending merger, the leaders held a joint staff meeting. Housing Council staff members raised significant concerns about their board's actions regarding the merger and their own job security. The leaders of the two organizations realized they needed to increase the flow of information to staff, and they committed themselves to communicating frequently with all staff throughout the merger process, and in particular, to holding regular meetings with Housing Council staff and trustees. They also decided to create a weekly update newsletter called "Changes" to help keep staff informed. For external audiences, the committee developed a communications plan that included letters to clients, contractors, foundations, and regulatory agencies, and a press release for distribution to key media outlets.

By the end of October 2000, the full merger plan was finalized. It outlined financial requirements and operational and service integration phases. The Housing Council leadership met with staff members to explain the merger and solicit their

input. This meeting again unearthed significant anger and frustration over the merger. Not long after this meeting, Taskforce leaders learned that the Housing Council executive director may have inadvertently contributed to these feelings by speaking negatively to his staff about the merger process. His actions seemed to exacerbate staff fears and posed a serious obstacle to a smooth transition between the organizations. Prior to finalizing the merger, the executive director of the Housing Council realized that he could not be a part of the post-merger organization and resigned.

As part of the merger plan, the committee developed the board governance structure. The Taskforce had 18 trustees, and its by-laws allowed for 25. The Housing Council had 13 trustees. The Committee decided to invite Housing Council trustees to join the Taskforce board post-merger and then dissolve the Housing Council board.

To address staff issues, the Taskforce executive director and trustees held drop-in question and answer luncheons open to all staff who wanted to ask questions about the merger. The merger committee had decided to increase Housing Council staff compensation to the same level as that of Taskforce employees. The Taskforce executive director met with Housing Council staff to review the compensation and benefits package, and he and his associate director met with all Housing Council staff individually to determine and encourage their intent to stay. In order to promote staff cohesion, a Service Continuity Team was formed, composed of clinical staff from both agencies. Team members were charged with identifying possible issues and strategies for service continuity.

In an early November meeting, the Merger Committee conducted a side-by-side analysis of each line item in the organizations' budgets. They noticed a few discrepancies, including levels of staff compensation, levels of individual and foundation giving, and an upcoming balloon

They knew it was important to keep the goal of seamless service provision at the forefront of all discussions, since the alternative – no housing assistance for people with HIV/AIDS – was simply unacceptable.

payment of \$60,000 previously unreported by the Housing Council. The committee realized it would take a concerted effort to raise emergency funds to address this unexpected mortgage payment, and ultimately, to reinforce donor faith in the status of AIDS housing in Cleveland.

On December 1, 2000, the two organizations merged, and by January 1, 2001, the legal entity formerly known as the AIDS Housing Council was dissolved. All of its financial, programmatic, administrative, and legal obligations and controls became centralized under the auspices of the AIDS Taskforce as the surviving agency. The entire process took only 90 days. Because of the accelerated pace of the merger, some discussions had to be tabled until after the merger was finalized. Tabled subjects included integration of organizational cultures, volunteer programs, long-range development planning, staffing requirements, and a thorough program-by-program analysis of services that would allow a newly configured and seamless service delivery continuum.

The greatest obstacles to the merger process were related to issues of organizational pride and control. The Housing Council in particular found it difficult to relinquish its identity and autonomy, not to mention its staff and volunteers' investments of dollars, time, and emotion. The two organizations' shared history and mutual familiarity through their long-term association with HIV/AIDS related activities helped smooth some of the tension and enabled the participants to emphasize that many of their

differences were not personal. They knew it was important to keep the goal of seamless service provision at the forefront of all discussions, since the alternative – no housing assistance for people with HIV/AIDS – was simply unacceptable.

Alliance Implementation

The case study respondents involved in the merger between the AIDS Housing Council and the AIDS Taskforce of Greater Cleveland believed that the alliance was ultimately successful because housing services to people with HIV/AIDS were not disrupted, diminished, or even worse, eliminated. They also defined success in terms of the fact that the clients had not realized that the merger had occurred. Indeed, several months after the merger was complete, clients were still asking about its status. For the AIDS Taskforce, the merger was also considered successful because the organization was able to continue housing services without jeopardizing its own financial position.

No staff members were let go after the merger, though some elected to resign. According to the Taskforce executive director, "one of the biggest challenges was the different ways staff viewed clients, and that difference came up in clinical decisions. Our organization was more like a traditional AIDS organization in that it had a more diverse staff and greater political sensibility than the Housing Council. We were consciously out there pushing the envelope." The Housing Council staff viewed clients from a service delivery perspective and refrained from becoming involved in politically heated debate on HIV/AIDS issues. Ultimately, those remaining with the agency came to consensus on clinical decisions and formed friendships based upon the common values they shared around service provision for people with HIV/AIDS.

Because the process moved so quickly, many issues that would otherwise have been addressed prior to the merger were postponed. AIDS Taskforce leadership estimated that the service

integration plan developed during the merger formation process would take two to three years to be successfully implemented.

Components of this plan included:

- ◆ Board integration, diversification, and skill enhancement
- ◆ Review of the mission statement
- ◆ Integration of housing programs into the Taskforce's strategic plan
- ◆ Integration of organizational cultures
- ◆ Ongoing revision of management structure
- ◆ Development of a unified, effective, service-linked volunteer program
- ◆ Development of an integrated, diversified fund development strategy
- ◆ Final integration of all financial management systems
- ◆ Final integration of all human resource systems
- ◆ Transition management
- ◆ Long-term planning for facilities and equipment

The most critical element of the service integration plan was the development of an integrated continuum of case management, including housing, prevention, and nutritional services. Widespread agreement existed among leadership and staff that a tremendous opportunity had emerged from this alliance that could substantially improve the lives of people living with, or at risk of, HIV/AIDS. The opportunity could be lost, however, if the agency did not thoroughly review client needs, conduct an internal audit of all services, and develop an optimal needs-driven model for service delivery. As a result of the merger, programming expanded and more staff was hired. According to the executive director, the merger had in effect, made the Taskforce a more "fundable" agency in the eyes of the community.

Lessons Learned

Leaders of the AIDS Taskforce believe that one of the most important lessons learned from this alliance experience was the value of a neutral

consultant to facilitate the merger talks and tasks. The consultant was able to keep negotiations on track during an abbreviated time frame and in a climate of mistrust, where emotions were intense and the consequences of failure were enormous. A second important lesson was related to communication. Taskforce leaders believed it was critical to maintain open communication with staff. They wanted to offer a free flow of information and answer all questions, particularly those prompted by misinformation or fear of the unknown. This insight proved valuable in that many key Housing Council staff remained after the merger despite their inauspicious introduction to the process. Additional lessons articulated by participants had to do with the need for patience and for staying the course in spite of rough waters. They underestimated the intensity of anger on the part of some of the Housing Council's staff leadership, and maneuvering through the manifestations of this anger required significant patience and commitment to the ultimate goals.

Reflections on the Role of Trust

This case study seeks to describe the alliance formation process and discern evidence of trust that may have been present during the process. The interview questions were designed to elicit and highlight characteristics of trust as defined in the literature and noted in the introduction to these case studies.

Both the AIDS Taskforce and the Housing Council felt vulnerable throughout the merger process, but for different reasons. The Housing Council was vulnerable to a virtual take-over by the Taskforce because of its precarious financial situation. Moreover, what was at risk for this organization was the loss of the very thing on which its mission was based – housing. The Taskforce, for its part, felt vulnerable in taking on the added risk presented by the financial and housing management obligations of the Housing Council. The organizations had little choice but to proceed with the merger since they mutually acknowledged the vital importance of providing

Ultimately, both partners recognized that the value of what they could accomplish together was greater than what they had been able to do alone, and that to realize the vision, they had to trust each other.

housing for people with HIV/AIDS. From the beginning, mistrust dominated the process. As a result, strategies such as assiduous documentation, the use of written agreements, and the hiring of an outside facilitator, appeared important for mitigating the effects of mistrust.

Prior to the merger, the two organizations had worked together on some programming and specific client cases, and board members had become acquainted through long-term associations with the AIDS community. Therefore, relationships existed between some board and staff members. Reservations about the merger expressed by the executive director of the Housing Council may have colored his staff's perceptions, and as a result, Council participants may have been less willing to believe what they were being told by the Taskforce. Some of the damage was controlled through accelerated communications, both written and verbal, but such communications seemed to be insufficient to build trust in such a short time. Participants' ability to gain authentic knowledge about, and understanding of, their partners and the merger itself may have suffered because important topics of discussion were tabled until after the merger was finalized.

Although the initial behavior of the executive director of the Housing Council provided little assurance about the future behavior of other Housing Council representatives, the board chair was a positive force in negotiating on behalf of his agency. Fortunately, the ongoing meetings, phone calls, written documents, and other communications vehicles helped develop a

foundation for information sharing. The methodical merger process led by the external consultant also helped build, if but slowly, participants' expectations that their actions would advance the merger and ultimately benefit the clients. Each piece of paper and conversation helped move the process forward strategically and incrementally and helped the participants to learn more about each other. The responsibility for developing the level of trust necessary to complete the process was largely borne by the consultant. Because he enjoyed the trust of both agencies, he was able to develop a level of transparency that fostered open sharing and cooperative decision-making and promoted consistent and reliable behavior.

Because the Taskforce demonstrated a genuine concern for the welfare of its partner organization by following through on its promises and actively seeking to ease the fears of Housing Council staff, Housing Council participants seemed to steadily increase their level of trust in the Taskforce leadership and its motives for merger. The common thread that held the merger together throughout the many challenges it faced was the vision of providing accessible housing and eventually a seamless delivery of services to people with HIV/AIDS. Because the vision was valued by both organizations, participants were able to stay at the table and work through the issues they confronted. Other common values around service provision developed as staff members were more formally integrated after the merger. Ultimately, both partners recognized that the value of what they could accomplish together was greater than what they had been able to do alone, and that to realize the vision, they had to trust each other.

Trust Factors and Promising Practices

The following factors helped keep this merger alive and point to promising practices, particularly for potentially high-risk alliances:

- ◆ Use of a mutually agreed upon consultant, particularly in situations where timing is an issue

and trust is in jeopardy

- ◆ Identification of a shared vision for the outcome of the alliance, a vision that is kept at the forefront
- ◆ Creation of open lines of communication and an atmosphere conducive to ongoing conversation
- ◆ More frequent meetings than might otherwise seem necessary
- ◆ The presence of a community need so compelling that it overshadowed the impulse to mistrust

Additional Questions for Reflection:

1. What factors other than those listed above might have contributed to the successful formation of this alliance?
2. What factors might have been working against the organizations?
3. What might the executive director of either agency have done differently?
4. Which, if any, of the three types of trust mentioned in the introduction might have been present in this alliance formation process?

Nonprofit Strategic Alliance Case Studies:

The Role of Trust

ideastream

Background and Overview

ideastream is a public service multiple media organization formed from the consolidation of two Cleveland-based public broadcasting entities – 90.3 WCPN/FM and WVIZ/PBS – and three other entities: North Ohio Telecommunications Association (Ohio’s largest broadband interactive distance learning network), the public television and radio state house news bureau, and Ohio Government Telecommunications (the latter two are located in Columbus). *ideastream* is also affiliated with WCLV, Cleveland’s commercial classical music radio station, through the WCLV Foundation.

Despite some noticeable differences, such as methods of media distribution, the two principal organizations, 90.3 WCPN and WVIZ/PBS, shared some fundamental similarities. For example, they were the last major market public television and public radio outlets to sign on in the country. In fact, Cleveland was the last city of its size to acquire public television and radio stations. Additionally, WVIZ/PBS and 90.3 WCPN had virtually identical corporate structures and comparable business models.

WVIZ/PBS was established in 1965 as the 100th non-commercial educational television station in

the United States. Its first studios were located in a public school vocational center until it moved two years later to a larger complex on the southwest side of Cleveland. WVIZ/PBS serves 17 counties in Northeast Ohio, including the metropolitan areas of Cleveland and Akron. It provides programming for children as well as adult audiences, and serves an average of one million households per month. The station also has an active educational services department and provides multiple channels of instructional television for K-12 and college students through closed circuit channels, interactive distance learning through T1 and fiber optic networks, and interactive learning materials through fixed media. WVIZ had 89 staff members, 30 board members, and an annual budget of approximately \$14 million dollars just prior to the creation of *ideastream*.

In 1984, when WCPN signed on the air, Cleveland was one of only a few cities of its size without a public radio outlet. Like WVIZ/PBS, WCPN is a non-commercial, community-licensed station. It serves Northeast Ohio with a 50,000-watt FM radio signal and has studios and offices on the campus of Cleveland State University. WCPN provides local, national, and international news, along with jazz music and

talk programming. Prior to the creation of *ideastream*, WCPN's annual operating budget was approximately \$4 million. It had a 33-member board of directors and 50 staff members.

WVIZ/PBS and WCPN date their original conversations about the possibility of working together in some capacity to 1996, although each organization had been considering the concept of partnering even prior to that date. These conversations led to a joint programming project launched in 1997 that examined the topical issue of urban sprawl, a problem that many cities nationally were facing but one that had not yet generated much community or media attention in Northeast Ohio. The organizations considered "Urban Sprawl" a pilot project to demonstrate how well they could work together. The project, which was described by case study respondents based upon their own perspectives and public feedback as an outstanding success, gave voice to an important community issue and garnered unprecedented and positive attention for both organizations. Unfortunately, the collaborative process was far from perfect. The project brought into sharp relief the organizations' different cultures, their different approaches to program development, and even their different technologies. Despite these problems, the success of the program and its impact in the community suggested to WCPN and WVIZ that future joint projects or alliances of some sort might be worth pursuing.

Their intentions and hard work over the next few years paid off. On October 13, 2000, a new 501 (c)(3) nonprofit corporation was formed as a new public service media organization. On July 1, 2001, the new organization took on a life of its own after the dissolution and consolidation of Cleveland Public Radio, the nonprofit organization that held the license for 90.3 WCPN, and the Educational Television Association of Metropolitan Cleveland, the licensee for WVIZ. A consolidation is an alliance in which two or more organizations come together to form a new organization. The

member organizations are dissolved to create the alliance. The assets and liabilities of the former organizations are combined and a new governing board is created. The new organization, *ideastream*, provides news, educational, and cultural programming through a variety of media applications including radio, television, CD-ROM, cable, print, and the internet. The mission of *ideastream* is "to strengthen our communities by providing distinctive, thought-provoking programs and services that enlighten, inspire, educate and entertain."

ideastream's annual revenue is approximately \$20 million. It has 150 staff members in Cleveland and Columbus and is governed by a board of directors now made up of 49 members (originally 62 members) drawn from the two organizations. *ideastream's* vision for the future is to "be recognized as an indispensable multimedia resource connecting community through preeminent programming and services that enrich, respond, and relate to our lives." It also sees partnerships as key to this vision.

Driving Forces

The most prominent driving force behind the consolidation of WCPN and WVIZ and the creation of *ideastream* was, at its core, programmatic. Both organizations wanted to improve the quality and expand the mix of their programming and services. The rapid technology changes of the 1990s meant that more people had access to more information through a variety of media sources. Broadcasting outlets as mere distribution channels were becoming less relevant as other vehicles such as cable, the Internet, digital, and satellite applications became more widespread. People could now access information, entertainment, and even some of the public television and radio programs broadcast by WVIZ/PBS and WCPN, in a variety of ways. As a result, both organizations felt strongly that the ability to produce and package programming content that had meaning for the local market and that could be distributed through a mixture

of established and emerging technologies was necessary to ensure the stability of these two important community assets while maximizing the community's resources.

At the time these entities entered into their alliance, each was in a position of financial stability, as compared with many other nonprofit organizations. Although neither was financially secure, both were growing concerns with annual revenues that met or exceeded expenses. They both recognized, however, the increased competition for human and financial resources, as well as the increased competition between nonprofit and for-profit entities that provided similar programs and services. Both believed that maintaining cost effectiveness while developing new program content using multiple media was a goal that could be achieved best by combining forces.

Partner Selection and Formation

The actual partner selection process followed a somewhat organic path but was also both deliberate and intentional. The pool of potential media partners in Northeast Ohio was relatively small, and a conversation with two other public broadcasting entities revealed to WCPN and WVIZ that they were the most serious of the four about repositioning themselves for the future. They had similar missions, goals, programs, and services, as well as compatible visions for the future. They also recognized in each other the potential to reduce operational, technical, and administrative redundancies and to diversify the program mix by combining multiple media distribution capabilities into a major local broadcasting organization. The fact that the two CEOs had each worked in the other's arena was also helpful: the CEO of WVIZ/PBS had experience in public radio, and the CEO of WCPN/FM had worked in public television. Both understood the operating and programmatic issues that the two organizations faced.

Though reluctant to take the credit, the CEO of

WVIZ was the primary initiator of the conversations with the other potential media partners. He was relatively new to the Cleveland market and was not a party to past tensions between some of the potential partner organizations. With the assistance of an outside facilitator, he convened meetings with potential partners, including both board and staff leadership. It became apparent during these sessions that, of the four entities, WVIZ and WCPN were most interested in working together. A board leader of WVIZ/PBS contacted a board leader of WCPN with an invitation to pursue more serious alliance possibilities between the organizations. The board leader and the CEO of WCPN understood the magnitude of the decision to respond with either a "yes" or "no" to this inquiry and wanted the board's blessing to proceed. From that point forward, the two CEOs and their respective board members continued on a path of equal leadership, shared vision, and commitment to ensuring the success of their potential alliance, which had yet to be defined.

In the fall of 1999, WCPN and WVIZ began a formal process to determine whether and how they might work together in the future. They were interested in forming some kind of alliance, but were uncertain as to what shape it might take. They formed a joint task force of board members drawn from each organization's standing planning committees, asked The Cleveland Foundation to help facilitate the inquiry process, and held highly confidential meetings at the Foundation's offices. The organizations signed a confidentiality agreement to ensure that if these discussions ended without an alliance arrangement, they would not reveal or use any of the information they had learned about one another.

During these meetings each organization wanted to find out more about its potential partner, including pragmatic issues such as financial stability, but much of the discussion focused on strategic issues: what could they accomplish

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together that they could not alone? The potential alliance would be born of thoughtful, programmatic considerations that were driven by current and future changes in technology. Could they harness that technology while developing content that had relevance for their audiences and would have an impact upon their community? They wanted to understand each other's broadcasting philosophy, organizational culture, motivation for forming an alliance, and the potential risks that each organization faced. Potential obstacles to alliance formation, shared hopes, and desired outcomes were also discussed.

In addition to the larger programmatic and philosophical discussions, a side-by-side analysis was conducted to help the organizations compare operational components including finances, human resources and benefits packages, organizational and governance structures, membership, audience, and donor bases. This information was collected into notebooks or "Fact Packets" and made available to participants in the meetings.

When interviewed, the two CEOs identified the same key turning point in these deliberations. Both had realized after a few meetings that their board members were not readily convinced of the value added of creating an alliance. They also recognized that their respective boards harbored some misperceptions about the other organization. The CEOs realized they needed to increase their efforts to educate board members about why an alliance was not simply a good

idea, but an important strategic step toward the future. Together the CEOs crafted a memo that outlined the benefits of a formal alliance, including the fact that combining public radio and television was common in other communities, and noted the importance of this as a board decision, not just as the decision of the CEOs. They also reiterated that addressing the dramatic shifts in technology in order to create better products for the community was ultimately more important than protecting the individual organizations or even their individual jobs as CEOs.

They submitted the memo to the joint task force for consideration at its next meeting and declined to attend themselves. This move highlighted the executives' personal and professional commitment to an alliance and underscored the need for the board members to achieve a similar level of commitment on their own in order for any potential alliance to succeed. The board members recognized the seriousness of their CEOs' intentions and began to better understand the ultimate benefits of a formal alliance.

Despite, or perhaps as a result of, this "turning point," the two organizations continued to gain positive impressions of each other. Each respected the strength of the other's management capabilities, strategic plans, and visions for the future. Their behavior through these initial deliberations was professional, dependable, and forthright. They produced documents and information in a timely fashion and were willing to participate freely in all topics on the agenda. Some of the board members also benefited from knowing each other professionally and socially and could therefore vouch for each other's intentions and sincerity in exploring this opportunity.

One of the challenges that became apparent to the two organizations during these initial exploratory meetings was the difference in organizational cultures. Some differences of this type had been perceived a couple of years earlier

during the “Urban Sprawl” project and were primarily attributed at the time to the ways in which the producers and technical staff approached their work. However, the boards themselves soon discovered what seemed to be different approaches to board governance. WVIZ was perceived to have a corporate-style board, providing leadership characterized by hands-off policy making. WCPN, on the other hand, had a board whose members took a more active role in the organization’s programs and operations. These differences posed few actual problems during the alliance formation process, but highlighted some of the potential difficulties the organizations might face when it came time to actually implement the alliance.

Issues Critical to the Decision to Proceed

The joint planning task force finished its initial work at the end of 1999. In January 2000, the two organizations’ boards of directors received the task force report and voted to proceed with the task force’s recommendation to “combine WCPN and WVIZ to form a new nonprofit multimedia entity with distinctive locally-based content in areas of news, education, entertainment, culture, and public service to serve the Northeast Ohio community and beyond.” The vote signaled the commitment of both organizations to enter into a formal alliance that could change the face of public broadcasting in the region.

One of the most crucial factors in the task force’s decision to proceed with a formal alliance was the confidence that the board members had vested in their CEOs. Both boards respected the professional judgment of their CEOs and their ability to lead their organizations to the next level. The CEOs had been so enthusiastic and convincing about the case for an alliance that the board members were willing to follow their lead and move forward. Some board members commented that they would have walked away from the negotiations at any point if their CEO had recommended doing so. That said, the board members themselves had become convinced of

the wisdom of the combination.

Other issues critical to the decision to proceed with the alliance pertained to the actual challenge of bringing it about: what would the alliance look like, when would it happen, and what was the expectation of the public for public broadcasting? The board participants were also concerned about leadership and governance issues. Each group wanted to protect its CEO’s leadership position and was also concerned about how the two boards would come together, particularly in light of the perceived cultural differences. Some of these issues were answered in initial discussions, and others were tabled for further deliberation. The participants realized that the importance of proceeding with the alliance superseded some of these concerns. Ultimately, everyone agreed that an alliance was essential for moving beyond the status quo in public broadcasting, and that together, the organizations could create a stronger, more responsive broadcasting entity within a vastly changing technological environment.

Participants did acknowledge that an important consideration in the decision to proceed with an alliance was the potential loss of each organization’s identity and autonomy. The identity issue seemed more important for staff members, particularly at WCPN, because they had been gaining recognition in the community. Since WCPN was the smaller of the two organizations, WCPN participants were also worried about being swallowed by a larger partner. Some respondents acknowledged, however, that because radio and television identity is often linked in a basic way to a station’s call letters, each would maintain a bit of its original identity through the continued use of these established broadcast media markers, regardless of the alliance’s structure. At the same time, however, they understood that the loss of some measure of organizational identity and certainly autonomy was inevitable.

While some respondents considered this alliance

risky, others did not. One staff leader who did consider it risky pointed out that the organizations were relying on the information that each had disclosed, and that if the shared information were faulty, there could be problems down the road. Others mentioned that increased financial obligations of a combined organization, including an ambitious capital plan for WVIZ, created financial risk. They also noted other financial risks such as the potential loss of individual or institutional funders or a decrease in funding amounts, either because donors might not be favorably disposed toward the new organization, or because they would see this as an opportunity to consolidate their giving. One board member indicated that risk would be present until the alliance could fulfill its value-added promise or desired programming synergies.

On a similar note, however, many respondents considered the alliance to be relatively risk-free because the business strategy looked flawless and compelling, and the potential for combining these two organizations far outweighed any other perceived risks. Finally, the high level of confidence the board members had in their executive leadership also seemed to diminish the boards' perception of risk.

Alliance Formation Process

The entire alliance formation process took 22 months, from the beginning of the facilitated exploratory discussions in September 1999 to the final dissolution of the former organizations and the assumption of assets by *ideastream* on July 1, 2001. After the initial consultation and facilitation by a Cleveland Foundation representative in the fall of 1999, the two organizations proceeded with the work of bringing their organizations together without any other external consultant or facilitator. Each board appointed four to five members to a new working group or implementation committee that included, in particular, board members with legal expertise and experience in mergers or other alliance configurations. The alliance work was

still highly confidential at this stage, with only board members and CEOs involved in the negotiations, along with one or two other key senior staff members who were consulted on an as-needed basis. Other staff members were only aware of the fact that general discussions were under way with regard to the possibility of the two organizations working together in some capacity. No other organizational stakeholders were involved in the alliance formation process.

The implementation committee established the agenda and drove the negotiating process. As one of the CEOs stated, it was essentially "their project" at this point – they had taken full ownership of the process and its outcomes. Formal due diligence activities began in February 2000 and continued for three to four months. In addition to due diligence, the discussions focused on what the new organization would look like, including its organizational structure, mission and goals, programs and services, potential funding sources, staff leadership, and board governance. The implementation committee met every three to four weeks, and its members took questions and concerns back to their respective executive committees for discussion and resolution. Other board members were updated at full board meetings, and a joint social gathering was held early in this phase to help the boards become acquainted. The CEOs staffed the implementation committee and did much of the behind-the-scenes work.

In July 2000, after major elements of the alliance had been finalized, particularly its structure and governance, the consolidation of WCPN and WVIZ into a new organization was announced to the senior staff, and a senior staff implementation team was formed. At this time, senior staff members were needed to help support the actual work of bringing the two organizations together. Initially the team met off site at least monthly to assure confidentiality. As the alliance formation process evolved, the senior staff became a crucial communications link to their own staff teams and

others in their organizations. In the month just prior to the public announcement in October 2000, the organizations announced the consolidation to key funders and community stakeholders, as well as to agencies holding important agreements with the organizations, such as the Corporation for Public Broadcasting and the Federal Communications Commission. The alliance implementation process continued for another year, with the final dissolution of the prior organizations and the ultimate assumption of assets by *ideastream* on July 1, 2001.

Throughout the alliance planning process both organizations met their obligations and expected behaviors. As one respondent noted, “I expected honorable, trustworthy interactions, and that’s what we had.” Others described it as a very cooperative effort, with everyone working toward common goals and openly sharing information in a timely manner. Another respondent commented on the quality of the discussions and the absence of any breakdown in the process in spite of some difficult moments. This board member also indicated a high level of respect for his colleagues on the other side of the table when they were fighting for something that was very important to them.

Obstacles to Alliance Formation

The forward momentum of the process did have its stumbling blocks. The most frequently cited obstacles concerned issues of staff leadership, organizational structure, and board governance. Careful conversations and negotiations between individuals or smaller groups of people were necessary to resolve some delicate issues.

Building on the case made by the CEOs during the fall 1999 exploratory discussions – that the alliance itself was more important than protecting the CEOs’ jobs – the implementation committee instructed the CEOs to propose what role each should take in the new organization. After meeting independently and discussing honestly their respective roles, the CEOs came to a mutual agreement about a shared leadership

structure. The CEO of WVIZ would assume the position of president and chief executive officer of the new organization, and the CEO of WCPN would take the chief operating officer position. Both executives would sit on the board of directors. The CEO of the new entity would be in charge of the external and business side of the organization, including fundraising, finance and administration, educational services, and community development. The COO would be in charge of product content, including program development and distribution, marketing, and technical applications and support. The CEOs were satisfied with their self-designated roles because they played to each person’s strengths and interests. Their board members, however, were very protective of their executives, and the WCPN board was particularly concerned that its CEO be neither shortchanged nor subsumed in the new organization, nor perceived as having given up any leadership authority.

Another challenging issue was how the alliance itself would be structured. Because one organization was significantly larger than the other, the idea that this alliance might be seen as a takeover of one entity by another was untenable for some participants. A clear-cut merger of one organization into the other might have been an easier and equally appropriate option, but the underlying intention was for this to be a “merger of equals.” Ultimately that idea had to be reflected not only in the way in which people talked about the alliance, but also in its final structure. The resulting consolidation helped solve that issue, with an entirely new organization being created upon the dissolution of the other two.

Equity in board governance was another issue that had to be addressed. Each board was protective of its membership and wanted equal representation in the leadership and committee structure. All board members of the partner organizations were retained, with the expectation that there would eventually be a reduction in board size through attrition. The chairman of the

WVIZ/PBS board was named chairman of the new board and the vice chairman of the board of 90.3 WCPN was named vice chairman of the new organization. While a proposal to assure succession of the vice chair to the chair's position within a certain time frame was seriously discussed, in the end it was agreed that the future board would deal with leadership questions.

Other obstacles that were mentioned by respondents included the challenge of resolving some of the differences mentioned earlier, particularly overcoming any perception of lack of mutual respect or motivation among board and staff. Even though each board had fully embraced the alliance concept, members needed to be reminded about the importance of pursuing this work for the programmatic and community benefits that would follow. One staff respondent noted the dual challenge of constantly "moving people past their pride of product" in order to help them see the potential synergies and ensuring participants that the central tenets of each organization's mission would be continued.

Almost all respondents noted that the obstacles faced in this alliance formation could have been deal breakers. However, the deliberate, respectful process followed by the implementation committee, as well as the open communication, flow of information, and willing answers to difficult questions helped keep the process on track. One board member credited "endless talk!" Another noted that many of the negotiating board members knew each other professionally or socially outside of their commitments to this alliance, so "they didn't have to go through too much of a honeymoon period." Staff members also mentioned the "extraordinary board leadership" that helped them get through the alliance negotiation and implementation stages as crucial to its success.

Alliance Implementation

Since information was gathered for this case study approximately one year after the official

consolidation between WVIZ and WCPN, conclusions regarding the ultimate outcomes of the alliance based upon the goals and objectives of the new organization are premature. Respondents did, however, point to early benchmarks or activities that indicated an initial level of success in some key areas. For example, the new organization is operating efficiently and producing award-winning programs, audiences are on the rise, cross-marketing efforts have paid off, and staff and board members seem energized by and engaged in the new mission. When the alliance was announced, it received significant attention locally and from counterpart media organizations around the country that were particularly interested in how it had been managed. Mid-term benchmarks of success will include a completed capital campaign and the smooth relocation of all operations and staff members to one central location in a new, high-profile space in Cleveland's downtown cultural district.

As is the case for all nonprofit organizations, one of the long-term indicators of success for *ideastream* will be a degree of mission attainment. "Strengthening communities" may be difficult to measure, but respondents noted that reaching into the community in measurable ways could be, among other outcomes, important barometers. One of the CEOs described long-term success as being ultimately defined by the community itself. The CEO noted that if the community believes in *ideastream* and its work and understands the role it can play in people's everyday lives, then the community will ensure its perpetuation.

To that end, *ideastream* committed itself to demonstrating from the very beginning that this was no ordinary consolidation between a radio station and television station. First, it launched a "Listening Project" to ascertain the needs of the community and gather baseline data about current and potential audiences and the kinds of program content that could have an impact upon their lives. Through town hall meetings,

interviews, and phone, mail, and web-based surveys, *ideastream* asked Northeast Ohio residents what matters to them. They identified community assets (such as cultural institutions, affordable cost of living, parks and natural resources, and health facilities, to name just a few) and community challenges (such as threats to school excellence, lakefront issues, pollution, and economic issues). These topics will help guide *ideastream's* program content development through the near future and will ultimately enable it to fulfill its mission of “strengthening community.”

Initial outcomes related to the internal workings of the new organization have been mixed. While respondents unanimously agreed that almost all constituents now share common values, that friendships have formed between employees of the two organizations, and that staff and board members are motivated by a shared vision for the future, lingering differences and staff morale problems have been more challenging than anticipated. A year later, the consolidation is a work in progress for many employees, particularly those directly affected by changes in reporting structures. Compensation and benefits packages have been revised but financial constraints prevented all adjustments from being made as management would have liked. All staff respondents said that employees still refer to “us” and “them,” and seemingly petty issues such as size of offices in the new location have been exacerbated by the stress of uncertainty and change. One staff respondent noted that while heightened sensitivities were more prevalent at the junior and support staff levels, even senior staffers were not immune.

Because the high level of confidentiality during the alliance formation process meant that virtually no employees knew any of the details about what was going on during the discussions leading up to the public announcement, it was understandable that there would be many questions and concerns. The two CEOs acknowledged that, had time allowed, they

would have spent more resources and energy on staff issues earlier in the process. One of the CEOs noted that a particular difficulty of this alliance was insufficient time and resources to establish expectations and adequately explain to all stakeholders – staff, board, funders, and other external constituents – what it meant for them personally. “One of the things we failed to do was recognize the need for different levels of communication for different individuals.”

In the year following the incorporation of the new organization, *ideastream's* staff leadership recognized the need to address morale issues and planned to use an external facilitator to help resolve many of the human resource and other challenges inherent in any substantial organizational change. While some employees had new responsibilities and others had swapped office space, some respondents hoped that the physical consolidation of all staff into the new location would both symbolically and tangibly advance the organization toward a more cohesive work environment.

Some differences have lingered at the board level as well. Because of the more hands-on engagement that was characteristic of the former WCPN board, some of the radio station's board members may have been initially discouraged by the changed organization. Even though the *ideastream* board will continue to shrink through attrition, the relatively large size still prohibits the kind and quality of discussions that could take place with a smaller board. The new board is working to address some of these issues and has done an extensive self assessment in its first year. The assessment revealed general satisfaction, especially with the active committee structure, and excitement about the new organization, although some board members were still uncertain of their roles.

Lessons Learned

ideastream alliance participants drew many lessons from the formation and implementation of this strategic alliance. The actual motivation

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for entering into an alliance was an important theme for some respondents, who stated that motivation should be linked to conditions in the external environment and that a compelling programmatic and economic reason for pursuing a strategic alliance must always be present. They noted the importance of taking advantage of external conditions – for *ideastream*, the current and impending technology changes affecting media outlets – and finding a partner who shares a similar entrepreneurial spirit and a willingness to exploit those opportunities. Having a common vision and emphasizing the broader benefits of the alliance helps keep all potential alliance partners focused and motivated.

For many respondents, the need for strong board and staff leadership was high on the list of the lessons learned. The staff executives were unwavering in their praise for the board members who helped lead the alliance formation process. They and other board members acknowledged that the creation of *ideastream* could not have been accomplished without each board's outstanding and tenacious leadership.

At the same time, some board respondents credited the willingness of the staff leadership to contemplate this kind of alliance as key. The organizations' executives conceived the alliance concept, and they continued to be the primary champions throughout. One board member suggested that the scarcity of nonprofit strategic alliances in general was due to the fact that most

start at the board level, and board members are more concerned about protecting management than protecting mission. In *ideastream's* case, the board members were indeed protective of their respective management, but management proved to be staunch advocates of the alliance and did not necessarily need or want protection.

Both CEOs independently stated that an important "lesson learned" was to simply "get out of the way." They realized that they could drive the process to a certain point, and then it had to take on a life of its own, particularly once they had the requisite buy-in. They both recognized the idea of giving up power. As one stated, "You become more powerful by yielding control and surrendering control." The other echoed, "You must relinquish yourself – you must let go to achieve something better."

Some respondents offered the observation that the alliance formation took more time than anticipated. It was a deliberate, investigative process in which patience and hard work were essential, particularly in order to meet the individual needs of board and staff members. Building in the time and resources to address and accommodate the human relations aspects of the alliance earlier and more completely would have been helpful. A greater emphasis on communication and a more complete delineation of roles and responsibilities of staff members in the consolidated organization were also identified as desirable. That being said, much of the communication and many of the roles and responsibilities had to be negotiated over time by those directly involved as the dynamics of the new organization were discovered. One CEO recalled the assumption that the most difficult aspect of bringing *ideastream* together would be program content and development. However, staff quickly mastered the art of creating collaborative programming, and have since reveled in the cooperative, thematic strategies that have evolved around content development. The management of human relations has proven to be a far greater challenge.

Reflections on the Role of Trust

This case study seeks to describe the alliance formation process and discern evidence of trust that may have been present during the process. The interview questions were designed to elicit and highlight characteristics of trust as defined in the literature and noted in the introduction to these case studies.

Interviewees in the *ideastream* consolidation case perceived risk in different ways and offered compelling reasons for their individual views. Indeed, the alliance was considered risky by some respondents but not by others. On one hand, those who considered it risky pointed to uncertainties related to the accuracy of the disclosed information, the future financial stability of the new organization, and the attainment of value-added program synergies. On the other hand, respondents for whom the anticipated benefits outweighed the costs pointed out that the alliance was so promising strategically that there was little or no risk in pursuing it. From the outset, the organizations were building the case and therefore reiterated the very rational reasons for proceeding with the alliance, even in the face of perceived risk.

The alliance formation process for *ideastream* included many opportunities for the partners to build knowledge about each other. They shared information in the initial exploration phase through their side-by-side analysis and through the creation of expectations that each organization would indeed provide the information asked, both in the early stages and later through the more formal due diligence process.

Each organization met the other's expectations and, as one respondent noted, both could "assume good faith." The deliberate process ensured that they could expect future actions to be as well intentioned and professional as those exhibited during the planning period. They had confidence that neither would exploit perceived or real vulnerabilities. In fact, the two CEOs

shared moments of deep humility, confiding in one another about past managerial missteps and oversights. As one CEO stated, we "had to move to forgiveness regularly."

Because each of the two CEOs had worked in both public television and public radio, they shared extensive knowledge of each other's organizations as well as an understanding of the issues surrounding the future of broadcast media. Board members ultimately trusted their CEOs' convictions about the importance of the alliance – they believed in what the CEOs were saying about the alliance's potential. Additionally, many board members across the two organizations shared social bonds that provided a foundation of knowledge and an assurance of good intentions. One of the most striking examples of the role of trust in the alliance was the ability of the participants – on *both* sides – to maintain confidentiality regarding the process. Indeed, one board member marveled that the alliance did not even come up in casual cocktail conversation when participants from both organizations were present.

The actions and behaviors of the two organizations seemed to have contributed to the building of trust. The organizations fought for things that were deeply important to them but at the same time demonstrated willingness to consider alternatives. Their actions were predictable and accountable. Even when there were temporary snags, such as the perception of one board member that the other organization was withholding information, that board member eventually came to the realization that the behavior was simply a characteristic of the organization's regular style of operating.

One of the foundations of this alliance was a sense of mutual dependency to achieve a common purpose. Participants acknowledged that it felt a bit like "joining hands and jumping off a cliff." The "joining hands" part of that statement reveals the mutuality of the experience. Indeed, one CEO described the

entire alliance formation process as consisting of “deep mutual experiences.” These characteristics may suggest the high level to which trust had advanced by the end of the alliance formation process, at least between the executive staff and many board members. While the participants involved in the alliance formation process itself may have achieved a high level of trust, more work needed to be done in the implementation period to bring the rest of the staff to a similar level. A deliberate plan, including the engagement of external human resource specialists, was developed to help build trust more broadly and deeply throughout the organization. The development of *new* mission and vision statements for the new organization provided all participants with a tangible picture of *ideastream*’s destination and a set of mutual obligations.

Some discussions of trust in the literature acknowledge the role that power can play in the balance of trust (Hardy, Phillips, Lawrence, 1998). While the CEOs ceded a measure of power in order to encourage larger buy-in, they maintained a powerful stance nonetheless. The level of trust their board members placed in them meant that they could have altered the outcome at any moment. The fact that the CEOs maintained a carefully controlled balance of power throughout the process indicated the level of shared moral obligation – and indeed trust – that had permeated at the very least, their relationship, as well as that between each CEO and his or her board.

Additional questions at the end of every interview also explicitly asked about the respondent’s perception of trust in the alliance. Regardless of whether the case study respondents acknowledged and specifically articulated the role of trust in their alliance, their responses to the interview protocol are indicative of the identified trust characteristics.

Given the varied considerations of risk by the respondents, trust was not necessarily present at

the beginning of this alliance formation process, and few respondents suggested that it was necessary at the outset for their alliance to be successful. Some observed that they essentially began in a neutral environment where neither trust nor distrust existed. The respondents’ comments indicate that the process of developing the alliance together actually built trust. Indeed at first, some respondents noted a natural level of incomplete knowledge and healthy suspicion. Each was interested in learning more about the other organization’s motivation for entering into an alliance: were they doing this for the right reasons or did they have skeletons in their closets? The fact that both organizations were willing explorers, without a crisis or a third party forcing them into the situation, indicated a baseline of trust, or at least willingness to proceed in the absence of complete information.

Trust Factors and Promising Practices

The following elements of this alliance promoted a highly professional and collegial process that helped build trust and were ultimately crucial to its success:

- ◆ Starting with a compelling need that addresses strategic program and service opportunities
- ◆ Using a deliberate process with experienced negotiators
- ◆ Suppressing personal and institutional egos to achieve something better
- ◆ Cultivating and depending upon strong board and staff leadership – with executive management, in particular, embracing the alliance possibilities
- ◆ Maintaining confidentiality as long as possible
- ◆ Building on personal knowledge and experience in the related content area and between participants

Additional Questions for Reflection:

1. What factors other than those listed above might have contributed to the successful formation of this alliance?
2. What factors might have been working against the organizations?
3. What might the executive director of either agency have done differently?
4. Which, if any, of the three types of trust mentioned in the introduction might have been present in this alliance formation process?

Nonprofit Strategic Alliance Case Studies: The Role of Trust

Otis Moss, Jr. - University Hospitals Medical Center

Background and Overview

In 1931, forty people came together to found the Olivet Baptist Church in Cleveland, Ohio. In 1954, the church opened at its current location in the predominantly African-American neighborhood called Fairfax. Over the years, the church has fostered leaders who champion human rights and equality for minorities and the poor, especially with regard to issues of health care, employment, and education. The church has a history of support for, and involvement in, the civil rights movement and served as the Cleveland headquarters for Martin Luther King, Jr. In 1974, the Reverend Dr. Otis Moss, Jr. was called to lead Olivet and established himself as a major presence not only in Cleveland but also nationally. World leaders such as Jimmy Carter and Bill Clinton have spoken from his pulpit. The mission of the now 3,000-member Olivet Baptist Church is to “preach, teach and practice the unconditional love of Jesus Christ.”

In 1975, Olivet Baptist Church formed the Olivet Housing and Community Development Corporation (HCDC) as a 501(c)(3) nonprofit corporation. The purpose of this entity is to acquire real estate, develop housing, and present programs that support Olivet’s social and spiritual vision for the Fairfax community. The Housing and Community Development Corporation was created with a separate board of trustees from that of the church. As Pastor of

Olivet and Chairman of the Board of the HCDC, Dr. Moss serves as the bridge between the two entities.

University Hospitals of Cleveland (UH) was founded in 1891 and supported philanthropically by some of Cleveland’s great industrial families of the 19th and 20th centuries. UH is a 947 bed tertiary medical center specializing in adult and pediatric medical and surgical practices. Its mission embraces healing, teaching and discovery. An internationally recognized health care institution and the academic partner of Case Western Reserve University, UH is one of the largest medical research hospitals in Ohio and performs more charitable care than any other hospital in the state.

The Otis Moss, Jr. – University Hospitals Medical Center was formed in 1997 as a joint venture between Olivet Baptist Church and University Hospitals. By definition, a joint venture is a legally formed alliance in which member organizations maintain joint ownership to carry out specific tasks or provide specific services. Member organizations retain individual identities and governance from activities outside the scope of the joint venture and if one organization withdraws from the alliance, the joint venture dissolves.

The medical center is considered a leader in the

field of community-based holistic health care delivery. Located across the street from the church, it is a private practice facility that provides comprehensive medical services. The goal of the two partner organizations is to target the immediate needs of the community by providing inner city residents with more accessible, high-quality outpatient care. Physicians affiliated with the hospital work at the center, which provides internal medicine, pediatric, obstetric-gynecological, and rheumatological care. Adjoined to the medical center is the Health and Education Institute, a program of the Olivet Housing and Community Development Corporation. The Health and Education Institute helps the medical center incorporate faith and prayer into health and healing. It provides healthy lifestyle training and disease prevention, and its chapel is considered the focal point of the entire center.

Driving Forces

The Reverend Dr. Moss's vision for a medical center in the Fairfax neighborhood was born more than 20 years prior to its completion. During his youth in segregated Georgia, the separation of the races was particularly visible in the administration of medical care. Black doctors were not allowed in certain hospitals, and black patients had special hospital rooms and separate waiting rooms. The fact that whites received better medical care than blacks was widely accepted. Dr. Moss's belief that this was unethical in the practice of medicine and his conviction that "we shall all be free together" stayed with him for years and became the underpinning of his vision for the development of a primary health care facility in his community. What he sought, however, was a medical center that would treat not only the physical needs of individuals but also the spiritual and educational needs of the entire community. Dr. Moss believed that the physical and the spiritual were intimately connected, and that a person's thoughts, beliefs, and faith had an impact upon his or her health and well-being. He therefore felt that the philosophy of addressing

both dimensions needed to be central to the mission of any medical center in the Fairfax community. His initial idea was that the church itself could build the center, and that physicians who were members of the church would practice within its walls. However, the advent of HMOs led him to reconsider that approach and recognize that pursuing a hospital as a partner would be a better strategy.

During the mid 1990s, for-profit health care entities began to buy up smaller hospitals in Cleveland, making the health care arena increasingly competitive. At the same time, University Hospitals was in an aggressive territorial battle with a near neighbor, the world-renowned Cleveland Clinic Foundation, and was looking to strengthen its community presence and commitment to diversity as a way to remain competitive. Community leaders were also challenging the medical community to do more, especially for underserved populations. A particularly outspoken proponent was a long-term, highly respected, and politically savvy member of the United States House of Representatives. This congressman was determined to see that services were provided to Fairfax, one of the most underserved communities in Cleveland, an area with few local doctors who understood the health care needs of the residents.

Partner Selection and Formation

The idea of a joint venture between the Olivet Housing and Community Development Corporation and University Hospitals to develop the Otis Moss, Jr. – University Hospitals Medical Center began in early 1997. Strong interpersonal relationships existed between the UH Chief of Staff, who was also a deacon at Olivet Baptist Church, the Rev. Dr. Moss, and the CEO of UH. Because of their high profile involvement in the larger Cleveland community, Dr. Moss and the CEO of UH had an established relationship through which they understood and respected each other's motivations and efforts.

While Dr. Moss and the leadership of Olivet considered other hospitals as potential partners, UH clearly proved to be the best match because of its commitment to diversity and service to the community. The two organizations also held each other in high regard. Their reputations and financial stability were beyond question, and they shared compatible missions, visions, values, and goals. Once the decision was reached to explore the possibility of a joint venture, the process evolved very quickly. The organizations formed a joint venture committee that held monthly exploratory meetings. The committee included Dr. Moss, the CEO of UH, other members of UH management, and representatives of Olivet's Housing and Community Development Corporation.

Alliance Formation Process

The joint venture committee formed a fact-finding task force that included an executive vice-president and senior vice-president of the hospital and three doctors, as well as members of the HCDC board. This task force met weekly, with the charge of determining the viability of the project and completing due diligence. The organizations were less concerned about such issues as financial stability and reputation because both were well respected in the community, and representatives of each institution were impressed with the other organization's capabilities and accomplishments. Issues discussed in the task force meetings centered more on the pros and cons of the alliance, the kinds of services the medical center would provide, and the motivation and willingness of doctors to work there and of patients to attend.

A particularly critical issue was determining how to recruit the right mix of health care professionals who would bring not only high-quality medical skills but also the necessary people skills to fit the culture of the community. Historically, residents had believed that any physician who chose to practice in Fairfax was substandard. Instead of remaining in the

neighborhood for their primary care, residents traveled to the suburbs. To better understand these motivations, and to reduce the risk that residents would shun a neighborhood medical center, the task force talked with other congregations in the neighborhood, conducted focus groups, and began promoting the concept of a primary health care facility to the community. The task force wanted to reassure people that the center would not be a "clinic" with inferior care, but a real "medical center" that was home to some of the best physicians in Greater Cleveland. The task force decided to charge for services in order to support the concept of a quality medical center. However, affordability was a concern, as was the potential risk of failure due to unrealistic pricing. Further discussions not only resulted in pricing and payment plans designed to meet the individual economic situations of uninsured patients, but also helped to establish an effective marketing plan and growth projections for the first three to five years. These plans and projections in turn were critical to obtaining the funding necessary for the construction of the center.

Other issues addressed by the task force were related to the contributions of the two partner organizations. Olivet Baptist Church, which owned the land on which the Center would be built, would maintain ownership of the land. UH received a \$2 million grant from the Robert Wood Johnson Foundation to develop the building and contributed its own expertise in the design and construction of health care facilities. The Olivet Baptist Church congregation raised more than \$150,000 for the building and non-medical equipment including the courtyard, chapel, and furnishings for the conference room. Olivet's HCDC would serve as the landlord, and UH would pay rent for the use of the building. UH would staff the medical center with doctors, and the HCDC would provide the staff for spiritual teaching and counseling. An advisory board was established to run the Medical Center with members from both the Olivet Housing and Community Development Corporation and UH.

The participants in this joint venture believed the alliance was successful primarily because the medical center addressed the need for community-based, high-quality, holistic health care.

Once these issues were thoroughly examined, the partners signed a memorandum of understanding and agreed to proceed. The memorandum of understanding was drafted by attorneys representing both partners and was based on the recommendations of the Joint Venture Committee.

The ground breaking for the new building occurred in June 1997, less than six months after the initial conversations between the church and hospital began. Dr. Moss championed the formation of this joint venture and was the primary facilitator of the joint venture committee. No external consultants were hired to shepherd the alliance formation process. The joint venture committee met monthly to review the progress of the task force and make decisions on their findings. The process stayed on track through the tenacity and commitment of the leaders, who believed firmly in what they were doing and were open to creative thinking to ensure that the goal would be reached. In addition, each partner's behavior exceeded the other's expectations, as demonstrated by their professionalism in meetings and fulfillment of all reporting requirements, deadlines, and meeting dates. The steadfastness of the leadership served as a model for the members of the task force, who learned to work as a team and became equally fervent champions of developing the medical center.

Issues relating to loss of identity or organizational autonomy that often emerge during alliance formation were not apparent until the final phase of the project, when the

organizations became concerned as to how to present the medical center to the public so that each partner appeared equal and autonomous. The organizations dealt with this issue by, among other things, naming the center the "Otis Moss, Jr. – University Hospitals Medical Center," thus conveying a sense of the equal partnership. The organizations presented a unified front by holding joint celebrations for the ground breaking and dedication and hosting several "open house" experiences for residents once the building was completed in November 1997.

Alliance Implementation

The participants in this joint venture believed the alliance was successful primarily because the medical center addressed the need for community-based, high-quality, holistic health care. The residents see the center as part of their community and willingly use it. Because of the integration of the Health and Education Institute with the medical facility, they leave feeling well cared for – not just physically, but also spiritually and emotionally. They also have greater respect for, and pay more attention to, their own personal wellness.

A second outcome has been the formation of positive relationships between employees of the medical center, staffed primarily by UH, and those of the Health and Education Institute, staffed by Olivet. Not only do they share some important administrative functions such as grant writing, but they also participate regularly in voluntary prayer sessions. During the formation of the joint venture, the leadership of the two organizations had intentionally and clearly communicated the shared values of the organizations to their staffs and continued to help staff members appreciate their commonalities and the larger goals of the center. Collegial working relationships and friendships followed.

A third outcome has been the realization that while much planning was done on bricks and mortar, less attention had been given to actual

programs and program content. The organizations continue working together to identify the needs of the community and discussing the practicality of adding new services to meet them. For example, the community expressed a desire for radiological services at the center, but UH explained that the equipment cost was prohibitively expensive. In the spirit of compromise, the medical center now transports patients directly to the hospital for this service.

Lessons Learned

Of all of the lessons learned by those involved in this joint venture, the one mentioned most frequently was the importance of a strong, shared vision. Dr. Moss, who had the initial vision for the medical center, championed it with potential partners who he knew would not only share it but would also help him realize it. He believed that “if both parties support the vision and want it badly enough, they will find a way to make it happen.”

A second lesson learned was the need for each partner to bring something of value to the table. Not only was each organization expected to bring tangible resources, but each person on the joint venture committee was also expected to be an active member of a team and be willing to do his or her share. Mutual trust, respect and partnership opportunity grew over time as the participants lived up to their commitments.

A final lesson had to do with the value of prior knowledge and relationships. Dr. Moss and the CEO of UH had a common connection in that the UH chief of staff was also a deacon at Olivet. Both leaders respected and trusted him, which solidified their respect for each other. In addition, they had known each other through previous community activities and were aware of one another’s reputations. The mutually respectful relationship between the leaders and their ability to have open and honest communications about the joint venture made the process easier than if they had entered the

relationship without the benefit of shared experience.

Reflections on the Role of Trust

This case study seeks to describe the alliance formation process and discern evidence of trust that may have been present during the process. The interview questions were designed to elicit and highlight characteristics of trust as defined in the literature and noted in the introduction to these case studies.

Both partners believed that there was risk in this joint venture. Uncertainty regarding their ability to attract physicians and patients made both organizations feel vulnerable to potential failure. The task force developed marketing tools, but the responsibility ultimately fell to the church to promote the center within the neighborhood and endorse its use. This uncertainty about potential users could have created problems, but UH trusted Olivet to live up to its commitment to attract patients. The responsibility of attracting physicians who not only were skilled practitioners but who also understood the special needs of the community fell to the hospital. The church had to trust that UH would live up to its commitment of attracting the right physicians for the center. This initial uncertainty seemed to fuel the partners’ commitment to working hard and thinking creatively.

The development of the joint venture committee, chaired by the Rev. Dr. Moss himself and including representation from both organizations, provided a vehicle for exploring the alliance in a relatively safe and systematic manner and signaled the seriousness with which each organization considered the alliance possibility. The leaders of both organizations were well known and accomplished professionals who had a developed a personal and professional rapport. Some UH doctors were members of Olivet, including the chief of staff. They shared social bonds and had a baseline expectation of behavior that was grounded in past experiences. Knowledge of the

Another factor that may have helped to establish trust early on is that both partner organizations shared the vision of the community medical center. According to one participant, when the organizations met formally for the first time, there was “heartfelt” motivation for making the center happen.

reputations and capabilities of their partners made it easier for participants to predict professional behavior and establish honest dialogue.

Each partner met the other’s expectations through ongoing, open, and honest dialogue, a willingness to share information, and the fulfillment of commitments for attendance and deadlines. Participants lived up to their part of the deal, exceeding the already high expectations for performance. When the joint venture committee and task force met to discuss the concept, develop joint plans, and negotiate the contract for this alliance, their behavior was honest and open in that there seemed to be no hidden agendas or power plays. Similarly, there were no territorial issues or serious concerns around loss of identity or autonomy. Both partners wanted a medical center, albeit for different reasons, and knew that alone, they could not bring a center into existence. UH wanted to increase its competitive position and commitment to diversity and Olivet wanted to help make Dr. Moss’s dream for accessible health care a reality. In the end, both were able to make an important contribution to a neighborhood in need.

Each organization brought to the table different resources and expertise and understood that it could not accomplish its goals without the other. The achievement of this common purpose required a great deal of interdependence. Mutual

reliance was solidified by shared common goals and values regarding the alliance, as well as by the professionalism and commitment demonstrated by each party during the formation process.

This joint venture represents an alliance formation process that moved fairly rapidly. The six-month time frame for completion reflects the level of familiarity with which the organizations began their work. The ardent and steadfast support of the very top leadership of both organizations also helped motivate those charged with developing and implementing the joint venture to move forward quickly. There was no question as to the fact that top leadership understood what it was getting into. Another factor that may have helped to establish trust early on is that both partner organizations shared the vision of the community medical center. According to one participant, when the organizations met formally for the first time, there was “heartfelt” motivation for making the center happen.

Trust Factors and Promising Practices

The following factors helped maintain a level of trust throughout the formation of this joint venture and point to promising practices regarding successful nonprofit alliance formation:

- ◆ Strong leadership with prior knowledge of, and respect for, one another
- ◆ Shared vision for the outcomes of the alliance, particularly from a moral, spiritual, and social perspective
- ◆ Positive expectations of behavior followed by increasingly predictable actions
- ◆ Complementary motivations
- ◆ Support from prominent community leaders, particularly elected officials
- ◆ Potential for benefit to the local community

Additional Questions for Reflection:

1. What factors other than those listed above might have contributed to the successful formation of this alliance?
2. What factors might have been working against the organization?
3. What might the executive director of either agency have done differently?
4. Which, if any, of the three types of trust mentioned in the introduction might have been present in this alliance formation process?

Nonprofit Strategic Alliance Case Studies:

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Conclusion

The descriptive case studies presented here recount the formation of three different types of strategic alliances among nonprofit organizations – a merger (AIDS Taskforce of Greater Cleveland), a consolidation (*ideastream*), and a joint venture (Otis Moss, Jr. – University Hospitals Medical Center). These are among the most formal and legally binding alliance types on the strategic alliance continuum (Yankey, Jacobus, & Koney, 2001) and thus entail a greater degree of risk for the participating organizations than do less formal alliances, such as co-sponsorships and coalitions. While each alliance was developed under a substantially different set of circumstances, all three cases provide insight into the role that trust can play in strategic alliance formation. At the same time, these studies give rise to important questions about the nature of trust and underscore the need for further research on this complex phenomenon as it relates to the field of nonprofit strategic alliances.

As noted in the Introduction, our search of the literature on trust revealed common themes among varying definitions – a sense of risk and vulnerability, expectations relating to a partner’s behavior, and mutual interests and obligation – and led us to the work of Christel Lane (1998) and John Child (1998). Building upon the three types of trust posited by Lane – calculative,

cognitive, and normative – Child identifies these “bases for trust” with the sequential phases of alliance development, which he entitles formation, implementation, and evolution. (See Figure 1 on page 38.)

At the conclusion of each case study, we pose the question “Which, if any, of the three types of trust mentioned in the introduction might have been present in this alliance formation process?” Taking the analysis a step further, one might ask the following:

- ◆ Do the types of trust demonstrated in this case study correspond to the stages of alliance formation – in other words, do they follow the sequence posited by Child: calculative, cognitive, normative?
- ◆ If not, how do they deviate from that sequence?
- ◆ At any given point during the alliance formation process, do two or more types of trust appear concurrently?

It is our belief that while the sequence of transitions characterized by Child (calculative to cognitive to normative) is a useful way of depicting “the stagewise evolution of trust” (Lewicki and Bunker, 1996, p. 124; cited by Child, 1998, p. 247), *there is also evidence that two or more types of trust may be concurrently present*. As Child himself explains, each type of trust not only builds upon the foundation of the

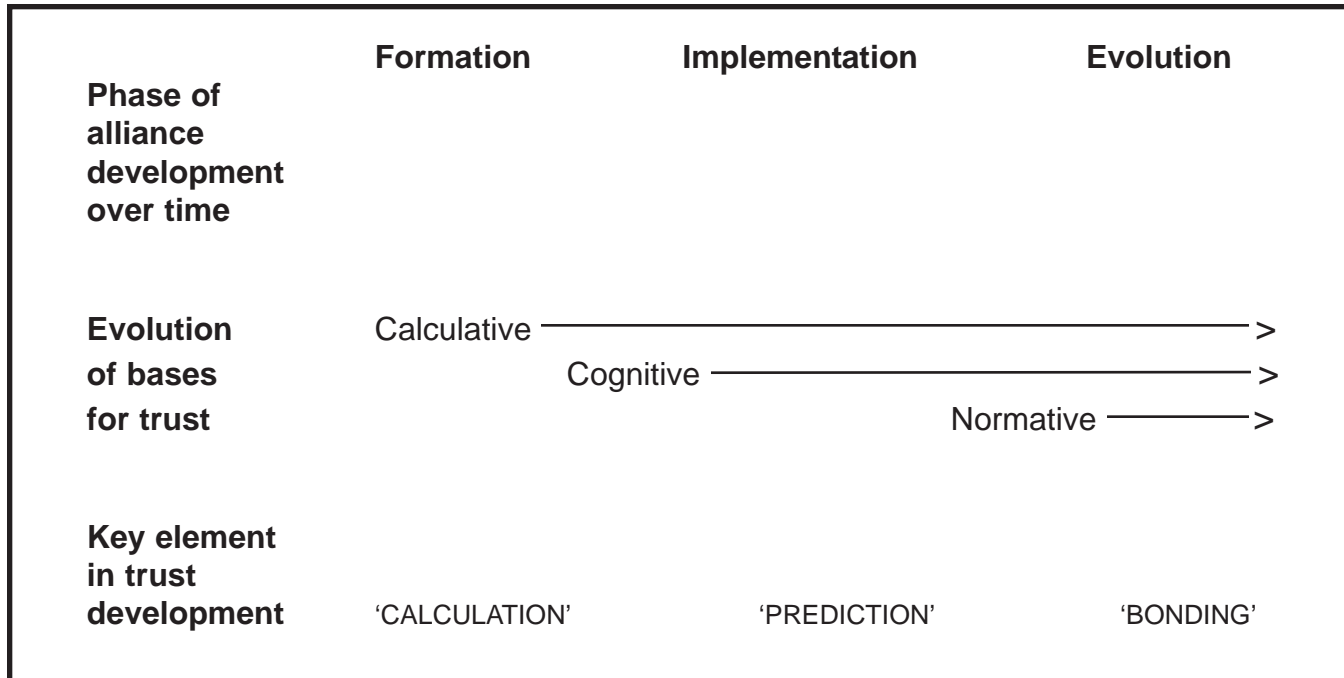


FIGURE 1: PHASES OF ALLIANCE DEVELOPMENT AND THE EVOLUTION OF TRUST

Source: John Child. Figure 9.1 (p. 252) from *Trust Within and Between Organizations: Conceptual Issues and Empirical Applications* edited by Lane, Christel & Bachmann, Reinhard (1998). By permission of Oxford University Press (www.oup.com).

preceding type, but also “generates the conditions for [the] transition” to the next type (p. 247).

The notion that different types of trust may coexist at a given point in time is substantiated by Lane’s observations that many theorists “envisage a multidimensional concept of trust and elaborate a typology of trust which rests on more than one basis,” and that there may be “common combinations” of these dimensions (1998, p. 4). The parallel lines in Child’s depiction of the “evolution of the bases for trust” (see Figure 1 above) suggest that there need not be a contradiction between the concept of identifiable stages, on one hand, and the possibility of different types of trust occurring simultaneously, on the other. Indeed, the following statement by Child makes this quite clear: “A hierarchy of foundations for trust and co-operation is, in effect, being posited here with

calculative trust at the base, cognitive trust in the middle, and normative trust at the apex” (1998, p. 253).ⁱ The hierarchy described by Child could be graphically represented in the manner depicted in Figure 2 on page 39.

Alliance Development and Trust Types: Co-occurrence or Nonalignment?

Child’s representation of the phases of alliance development and the evolution of the trust relationship focuses on processes that appear to move along parallel paths over time; indeed, he speaks in terms of the “co-occurrence” of alliance phases and trust types. While we agree that the

i. Although Bachmann, writing in the same volume of essays, states that Child’s portrayal of value-based trust as the highest stage in the evolution of trust is open to debate (p. 304), it is helpful to envision normative trust as resting on a foundation of, and coexisting with, other forms of trust.

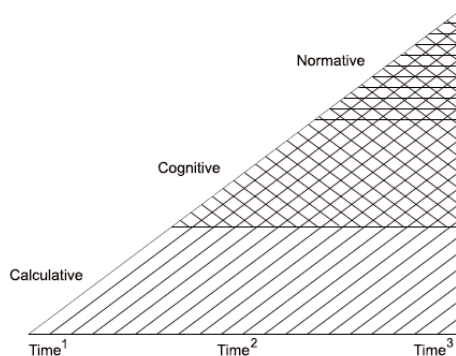


Figure 2

distinction between the three types of trust and the sequence in which these forms emerge provide an extremely useful framework for examining the role of trust in strategic alliance development, we would hesitate to apply the term “co-incidence” in relation to the case studies at hand. Our examination disclosed a less than perfect alignment between particular phases of alliance development, on one hand, and manifestations of specific types of trust, on the other. Since this clearly relates to our earlier observation that on numerous occasions more than one form of trust appeared to be present, we propose that there is an iterative quality to trust development, just as there is an iterative quality to the alliance formation process itself (Bailey & Koney, 2000). Thus, Child – citing Ring and van de Ven (1994) – notes that “there are feedback loops in this process whereby the partners evaluate their experience and decide whether to continue their co-operation and, if so, in what form” (Child, 1998, p. 247).

In this context, it is important to underscore the fact that while the case study interview questions focused specifically on the alliance *formation* process, many respondents did not confine themselves to the formative period but instead offered their reflections on both formation *and* implementation. Their descriptions of what might be termed “normative trust” suggest that it may not be realized until the alliance has entered

an operational mode. In fact, the implementation phase of the alliance may be quite advanced before the participants begin to share values and a sense of mutual obligation. This comports with Child’s representation of “bonding” as an element of trust that does not come into play until the alliance has evolved and matured. (See Figure 1 on page 38.)

It is our belief that generally speaking, explorations of the role of trust in strategic alliances should take into account not only the formative period of the alliance (which includes both exploration and planning/formalizing) but also its implementation/operation and subsequent evolution. To the list of discussion questions posed above, we would therefore add the following: How are the various types of trust evidenced during the strategic alliance implementation period? Are they also present during its continuing evolution?ⁱⁱ

The Paradox of Trust and Risk

The three cases examined here inspired us to carefully consider the relationship between trust, on one hand, and risk, on the other. Indeed, we were struck by what appeared to be an inverse relationship between the degree of risk cited by the interviewees at specific points in time and the degree of trust manifested by the parties at those junctures. If one associates calculative trust with an early stage of the alliance development process (i.e., the formative period), as does Child, then it would follow that “calculation” is necessary because the prospective partners lack information about each other and therefore view the situation as being very risky. Under those circumstances, one would be inclined to say that trust is low. Ironically, however, the earlier the stage of alliance development, the *less* the prospective partners have invested, and the less risk they have actually incurred.

ii. For example, Child notes that, for Lewicki and Bunker, certain types of relationships may both begin and end in calculative trust.

What might be called “the paradox of trust and risk” is only an apparent paradox. To resolve it, one need only make a distinction between *actual risk* and *perceived risk*. While the *actual risk* may be quite low early in the alliance development process, the *perception* of risk tends to be high. As trust grows stronger, the parties increase their commitment to the alliance, thus placing themselves – in actuality – at still *greater risk*. Christel Lane thus writes: “The incremental expansion of trust entails that the object of trust and the levels of [actual] risk entailed are gradually increased” (1998, p. 22). Referring to the 1992 work of Ring and van de Ven, she observes that as increasing amounts of trust are conferred, the stakes grow higher.

Figure 3 on page 41 demystifies the relationship between trust and risk and also relates these elements to the other themes and dimensions of trust that surfaced in our literature search.

Suggested Areas for Further Research

As noted in the introduction, some theorists see trust as an emergent phenomenon, a feature that arises organically when the conditions are right, while others hold that it can be systematically created and maintained. Such differences often relate to the type(s) of trust under consideration. Rather than engaging in what is essentially a philosophical debate on the *origins* of trust, we seek to offer a number of suggestions, or “promising practices,” for organizations to consider when exploring strategic alliances. We believe that these practices can help to foster a climate in which trust can flourish – with the caveat that the type of alliance under consideration and the particular circumstances of the parties must influence which “promising practices” are selected and deployed.

Some of our findings – for example, the value of open lines of communication and frequent contacts between the parties (as illustrated by the AIDS Taskforce merger) – confirm the importance of what Sydow has termed “trust-enhancing structural properties of

interorganizational networks” (1998, p. 47).ⁱⁱⁱ Since open and frequent communication appears to be a desirable commodity – whether as a precondition for, or an index of, the status of trust in the relationship – it would be interesting to examine more deeply the intriguing role of confidentiality in the *ideastream* consolidation.

Does this confidential quality undermine the preceding point about openness, or does it introduce another dimension entirely – namely, the distinction between those who are directly engaged in negotiations (and quite possibly communicating openly and frequently among themselves) and those who are not? We believe that there may be significant differences – in the extent of knowledge and understanding of the proposed alliance, in the perception of risk and vulnerability, and in the “level of trust” – between those who are privy to alliance development discussions and those who are on the periphery. This calls for an exploration of the respective roles of “inside” and “outside” stakeholders to determine whether the adage “where you stand depends on where you sit” applies in the case of alliance creation and trust development.

In a similar vein, one could devote further study to the role of interpersonal trust in relation to the development of interorganizational trust. According to Child, the former is the foundation for the latter. If trust between individuals, as evidenced by shared values, is a precondition for the emergence of normative trust between strategic alliance partners, can it be said that the *ideastream* “insiders” were simply functioning as “trust guardians” (1998, p. 253), paving the way for the eventual consolidation of their respective organizations?

iii. It should be noted in this context that depending upon one's perspective, these properties can be viewed as causes and/or as consequences of interorganizational trust - in other words, explains Sydow, they can be seen not only as conditions fostering trust but also as manifestations of existing levels of trust (1998, p. 53).

FIGURE 3: THEMES/DIMENSIONS OF TRUST



Another interesting question arising in connection with one of our three case studies relates to the role of a single individual. Given the climate of mistrust in which the AIDS Taskforce merger was realized, the presence of a neutral party, the external consultant, was pivotal. More than a mere facilitator, this person appears to have been a repository of the trust that the respective parties were not yet ready to place in each other. In light of his role as a broker in the process of trust development, might one conclude – drawing upon the work of Sydow – that the consultant played the role of “trust intermediary” (1998, p. 42)?

There is also a potential research opportunity in the comparison of (a) trust development in alliance formation (i.e., the formative period alone) and (b) trust development throughout the *full* course of the alliance trajectory, from formation through implementation/operation, and on into evolution.

A final area that merits examination is the extent to which situational factors and the *type of strategic alliance* being studied influence the evolution of trust. The possibility that variations in the anticipated sequence of evolving trust types may be associated with specific types of alliances is an intriguing one. As noted in the introduction, the strategic alliance continuum encompasses a full spectrum of alliance types, of which mergers, joint ventures, and consolidations are only a few. The merger, the consolidation, and the joint venture profiled in these case studies may not necessarily be representative examples of all (or even a majority) of the alliances in their respective categories. This clearly suggests that there is room for more in-depth study of the genesis and permutations of trust under different circumstances, at different developmental stages of the evolving alliance, and specifically, in different *strategic alliance types*.

These are but a few illustrations of the many

potential areas for investigation suggested by our case studies. It is therefore not difficult to concur with Child’s observation that while “the fundamental necessity for trust in strategic alliances has been recognized in the literature on the subject,” this complex topic “remains both theoretically and empirically underdeveloped” (1998, p. 242).

Nonprofit Strategic Alliance Case Studies: The Role of Trust

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