



*National Executive
Service Corps*

A Framework for Facilitating Nonprofit Collaboration

Board Roundtable
November 5, 2015

Why Collaborate?

- Number of nonprofits has increased dramatically
- Duplication of programs
- Decreased funding at all levels from all sources
- Need for increased scale and/or improved operating efficiency
- Leadership succession
- Funders encouraging nonprofits to consider partnerships, collaborations & mergers

Vocabulary/Definitions

- **Collaboration:** umbrella term for what happens any time two or more nonprofits work together in some structured way
- **Collaborations can take various structures:**
 - ✓ **Cooperation:** the lowest level of collaboration; requires little more than meetings and good faith; tends to be tactical
 - ✓ **Alliance:** strategic partnership in which organizations formally agree to change administrative or program processes; partners retain individual corporate structures
 - ✓ **Corporate restructure:** partnership in which governance and legal corporate structure change; can take many forms, including merger, asset transfer, etc.

The Collaboration Matrix

Cooperation

For example:

- Information sharing
- Training
- Joint purchasing
- Program coordination
- Client referrals

Administrative consolidation

- Contracting for services
- Exchanging services
- Sharing services

Joint Programming

- Single or multi-program
- Integrated processes, e.g. affiliates or chapters

Management services organization

Joint venture corporation

Parent-Subsidiary

Merger

Greater Autonomy

Greater integration

- No permanent organizational commitment
- Decision-making power remains with the individual organizations

- Involves a commitment to continue for the foreseeable future
- Decision-making power is shared or transferred
- Is driven by agreement

- Involves changes to corporate control or structure, including creation or dissolution of one or more organizations

COOPERATION

STRATEGIC ALLIANCE

CORPORATE INTEGRATION

Strategic Restructuring



Adapted from: *The Nonprofit Mergers Handbook*, David La Piana & Robert Harrington, p. 6

Stages in Collaboration

- **Evaluation**: clearly define objectives; identify and assess potential partners; engage in exploratory discussions; prepare memo of understanding for approval by boards
- **Negotiation**: agree on structure and terms; execute due diligence; draft and approve legal agreement
- **Implementation**: make it happen; the hard part

Evaluation Stage

1. Organization
2. Self-Assessment
 - Define organization's strategic objectives
 - Identify collaboration objectives: what you want to accomplish
 - Determine readiness for collaboration
 - Understand negotiating position: strengths and weaknesses
3. Partner Assessment
 - Develop assessment criteria
 - Identify potential partners
 - Evaluate candidates based on criteria
4. Making contact
5. Exploratory discussions
6. Agreement to move forward: memo of understanding

Organization

Role of Consultants

- Board creates Steering Committee (or authorizes Executive Committee) to oversee the evaluation process
 - SC appoints a Task Force to do the work and may engage a consultant to coordinate the process
 - Consultants can facilitate development of the work plan, facilitate and summarize meetings, gather information, interview key stakeholders, etc.
 - Consultants can also analyze information to provide objective assessment, e.g.
 - Strengths and weaknesses of each partner's programs, leadership, board and financial position
 - Reputations of each partner, the strength of support by funders and donors, and challenges (past and present)
 - High level estimate of potential financial impact
- Benefits to each party of potential collaboration

Organization

- Board creates Steering Committee (SC) and authorizes it to oversee all aspects of the evaluation process
 - SC generally 2-3 Board members (Exec Committee?) and ED
 - SC approves the work plan; secures resources; keeps the Board informed; and guides the adoption and implementation of the recommendation
 - Depending on level of collaboration, SC may appoint a Task Force (TF) to do the work and may engage a consultant to facilitate the process
 - Task Force may include Board member, staff, stakeholders
 - Task Force is where the work gets done
- Task Force (TF) develops work plan, to be approved by SC
 - Work plan defines process and timetable; resource requirements; deliverables; communication plan with stakeholders
 - TF members will represent the interests of their constituencies and participate in work sessions with the organization with whom they wish to collaborate

Self-Assessment

Why collaborate?

Establish **organization's** strategic objectives to fulfill mission, e.g.:

- Improved financial position
- Extended geographic reach
- Larger share of market
- Enhanced services
- Higher public profile
- Greater political/regulatory influence
- Improved fundraising
- Strengthened leadership and staffing
- Economies of scale
- Mandated merger



Define **collaboration** objectives:

- Which, if any, strategic objective(s) are best accomplished through collaboration?
- What do you expect from collaboration?
 - Define highest priority outcomes
 - Determine how attainment of objectives would be measured

Self-Assessment

Readiness for Collaboration(1)

1. Recognize that pursuing partnership opportunities requires commitment of staff, board and financial resources. Commitment increases with each stage in the process.
2. Recognize that saving money unlikely in the short-term. Significant one-time costs likely to offset any perceived immediate savings.
3. Is there capacity to pursue collaboration while managing day-to-day operations?
4. Are you ready to address the risks and human/emotional factors of partnering?
 - Control – shared governance; program quality; fear
 - Culture – values; the way we do things; customs and rituals
 - Brand – name change
 - Self-interest – loss of employment; loss of status; turf and ego
 - Community attitudes – diverse socio-economic communities, may be more comfortable with their own service providers, e.g. blue collar/white collar

Self-Assessment

Readiness for Collaboration (2)

5. Is the leadership engaged?
 - Do you have unity of strategic purpose?
 - Can your leaders speak with one voice?
 - Are Board-Management relationships solid?

6. Are there internal impediments to collaboration, e.g. by-laws, contracts, restrictive grants?

7. Indicators of readiness
 - Is there a (potential) opening in the Executive Director position?
 - Is the entity currently in a crisis?

Evaluation Stage

1. Organization
2. Self-Assessment
 - Define organization's strategic objectives
 - Identify collaboration objectives: what you want to accomplish
 - Determine readiness for collaboration
 - Understand negotiating position: strengths and weaknesses
3. Partner Assessment
 - Develop assessment criteria
 - Identify potential partners
 - Evaluate candidates based on criteria
4. Making contact
5. Exploratory discussions
6. Agreement to move forward: memo of understanding

Self-Assessment

Understand Negotiating Position

- Assess organizational assets, e.g.
 - Brand
 - Clients
 - Funders
 - Staff
 - Facilities
 - Boards
 - Etc.
- Recognize organizational weaknesses
- Anticipate potential issues

Partner Assessment

Develop Assessment Criteria

- Develop, prioritize and agree on assessment criteria, e.g.
 - Strategic fit
 - Financial impact
 - Trusting relationship
 - Programs
 - Geography
 - Clients
 - Culture
 - Organizational history of successful collaboration
 - Staff resources
 - Donor relationships/funders
 - Etc.

Partner Assessment

Evaluate Potential Partners

- Develop list of potential partners that might satisfy the agreed criteria for a collaboration
- Determine and collect first-cut information for each potential partner.
- Apply criteria and reduce candidates to “short list”
- Gather more in-depth data and evaluate “short list” candidates
- Prioritize “short list” and agree on candidate(s) to be contacted

Make Contact with Collaboration Candidate

- Identify connections to ED or Board members of candidate and initiate contact
- If no personal connection exists, be creative
- Meet to determine mutual interest

Engage In Exploratory Discussions

- Have open and honest discussion to identify how collaboration could benefit both organizations and their clients
- Discuss the full range of potential collaboration arrangements and structures
- Address key “hot button” issues as early as possible
- Key objective is to build trust
- Then broaden to other parties as appropriate, to include, e.g.
 - Selected Board members
 - Key staff members
 - Volunteers
 - Donors

Develop and Sign Memorandum of Understanding

- Prepare memorandum that outlines the contemplated arrangement that the parties will work toward
 - Indicate that all terms outlined in the MOU are nonbinding and subject to due diligence
 - Include a confidentiality provision
 - Given the time and resource commitment required for due diligence, the parties may agree to an exclusivity provision
 - Use of an attorney to draft the MOU is recommended
- Agree on communication plan to deal with staff, donor, volunteer and other stakeholder sensitivities
- Get Board approval