



*National Executive  
Service Corps*

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# A Framework for Facilitating Nonprofit Collaboration

Board Roundtable  
November 5, 2015

# Why Collaborate?

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- 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

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- 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

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- **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

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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

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- 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

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- 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?

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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)

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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)

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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?

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# 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

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- 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

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- 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

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- 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

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- 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

# Thank You

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