SeaChange

A Primer on
Nonprofit Mergers & Sustained Collaborations

Lessons from New York City

November 2021

The New York Merger and Collaboration Fund

NYMAC

SeaChange

In the first half of 2020, as the long-term impact of the COVID-19 crisis began to take form, many nonprofit leaders, foundations, and others invested in the health of the nonprofit sector wanted to learn all they could about mergers, shared administration, divestments, joint programs, and other types of "sustained collaborations"[1]. They believed the worst was coming (they might yet be right), expecting philanthropy and government funding to bottom-out just as community needs reached the highest levels in recent memory. Mergers and sustained collaborations were things to really consider. Crisis promotes collaboration; we want to know we are not alone.

It's a disservice that we tend to focus on mergers and sustained collaborations when times are tough. Especially, as this report demonstrates, because so many benefits can be achieved when nonprofits have the time, resources, and capacity to thoughtfully plan their work together.

The New York Merger and Collaboration Fund ("NYMAC" or the "Fund") has made grants to support nonprofits undertaking sustained collaborations since 2012. We've had the privilege of working with and learning from NYC nonprofit leaders who have approached collaboration as a tool to increase programmatic impact and/or build stronger organizations. This report is intended to share their lessons and offer guidance to those interested in collaboration.

Executive SUMMARY

Eighty-three percent of the 52 collaborations included in this report[2] met or exceeded expectations, with benefits in three main areas:

- **Programmatic:** Programs were meaningfully expanded or enhanced in 71% of the collaborations; in 60%, more people were served, while 21% preserved programs that would have otherwise closed.
- **Financial:** 57% of the collaborations advanced plans for financial sustainability; cost savings were realized in 31% (ranging from 1% - 11% of combined budgets).
- **Leadership/Talent:** 54% of the collaborations resulted in stronger C-suite teams, boards, and/or program staff; 33% of the collaborations solved for an executive director succession event.

Seventy-three percent of leaders found that the diligence process prompted internal reflection and alignment across a series of fundamental questions, which we organize as the "MAKER Framework":

- **Mission:** What is our mission? What is our culture? How do we define and measure success?
- **Assets:** What are our assets?
- **Keepers:** What must we keep?
- **Event:** What event, opportunity, or challenge lies ahead?
- **Reality:** How much time, money, and internal capacity do we really have?

A clear, mission-first approach helped leaders reconcile challenges of identity, personalities, culture, leadership, programmatic approach, and financial priorities that arose throughout their exploration, planning, and integration processes.

For NYMAC grantees, "successful" collaborations meant a good process was coupled with (i) time (explorations took 8 months on average; planning took 12 months); (ii) dedicated leadership teams who managed collaboration diligence while also running their nonprofits day-to-day; (iii) flexible, time-sensitive funding to bring in lawyers, accountants, and other necessary outside experts; and (iv) upfront and consistent focus on cultural implications, especially for staff. It takes extraordinary effort to explore and launch a nonprofit collaboration. However, it is our experience that in the right moment, a mission-driven collaboration can meaningfully advance programs, build capacity and financial position, and in general, help organizations do more and/or do things better by working together than they might have apart.

[1] Sustained Collaborations are activities in which two or more nonprofits work together in long-term or permanent partnerships to fundamentally change the ways in which they operate and/or deliver programs. These can include mergers, acquisitions, joint ventures, programmatic and administrative partnerships, fiscal sponsorships, etc.

[2] This report reflects evaluations of 52 NYMAC-funded sustained collaborations from 2012 – 2020 as well as lessons from 10 prospective collaborations that did not launch or where NYMAC declined a grant. Results are based on executive director and board assessments of outcomes against self-identified performance metrics. For implementation grants, nonprofits reported semi-annually over a two-year period; for exploration grants, lessons were shared following a decision to move forward or not.

HOW WE WORK

The New York Merger and Collaboration Fund is a joint grantmaking initiative of Altman Foundation, The Booth Ferris Foundation, The Clark Foundation, The Heckscher Foundation for Children, The Jeffrey H. and Shari L. Aronson Family Foundation, The Lodestar Foundation, The New York Community Trust, a handful of committed individual philanthropists, and SeaChange Capital Partners, (together, the "NYMAC funders"). SeaChange manages the Fund, providing advice and referrals to nonprofits, conducting diligence and recommending potential grants, and "building the field" through convenings, reports, etc. The other NYMAC funders award the grants and are involved in the Fund's governance.

Each year an average of 50 nonprofit leaders – both executive directors and board members – seek NYMAC's funding and advice in support of their prospective collaborations. Many (66%) haven't considered collaboration before but think it may help solve for an immediate need (e.g., leadership succession, financial sustainability, and/or regulatory change). Others call because they've successfully collaborated in the past (34%) and are interested in new collaborations to expand programs and service areas, increase capacity, etc.

Over the years, NYMAC has made over 75 grants totaling $2.1 million to support sustained collaborations between nearly 170 New York City nonprofits of all sectors and sizes. Our grants help nonprofits engage outside experts, consultants/facilitators, accountants, lawyers, etc., who may be helpful, and often essential, to decision-making. We offer two grant types[3] :

1. "Exploratory Grants" support the diligence necessary to determine if the proposed collaboration makes sense.

2. "Implementation Grants" support one-time costs associated with planning and launch.

NYMAC support provides leaders with resources that help address common challenges:

- **Confidentiality and experience:** "Collaboration" can carry a stigma of failure. Executive directors and board leaders – especially in early stage discussions – want a "safe place" in which to have candid conversations with an experienced partner. They seek guidance on where to start, how to identify partners, what landmines to avoid, and which third-parties (lawyers, consultants, facilitators, etc.) might help.

- **Time-sensitive, risk-tolerant, flexible funding:** Nonprofits often hire specialized external expertise – facilitators, lawyers, accountants, IT firms, etc. – to help plan their collaborations. Unforeseen challenges can arise, shifting scopes of work, increasing costs associated with the transaction. It is difficult for nonprofits to know precisely when, for what, and how much funding a collaboration will require. They need flexible funding that is available as their needs evolve.

As NYMAC's manager, SeaChange asks informed questions, shares common practices, and reflects back what we hear so that nonprofit leaders can determine if and how collaboration might best serve their missions.

Importantly, we do all this under a tent of confidentiality – our funders don't know with whom we are working until/unless we move forward with a grant recommendation. NYMAC's funding is available in real-time, paced to support nonprofits in their moments of need, and available to cover the wide range of one-time costs to secure outside help. We share distilled and aggregated trends and patterns we see in the nonprofit community with NYMAC funders and other interested stakeholders, giving them a glimpse into emergent dynamics that we observe from our work on the ground.

[3] Occasionally we bundle the two in "Explormentation Grants" because a collaboration is moving so fast we don't want to unnecessarily slow the process.

WHAT WE HAVE LEARNED

START WITH MISSION

We advise leaders interested in collaboration, regardless of motivation (see Page 14, Table 1: Collaboration Motivations), to ask themselves a simple set of questions to assess their nonprofit's internal strengths, capacity, challenges, and opportunities. This is the MAKER Framework:

1. **Mission:** What is our mission? What is our culture? How do we measure success?
2. **Assets:** What are our assets, both hard and soft? Include real estate, licenses, proprietary technology, as well as talent, reputation, funder relationships, etc.
3. **Keepers:** What must we keep? Non-negotiables may include brand, governance considerations, financial position, key staff members, etc.
4. **Event:** What event, opportunity, or challenge lies ahead? This can be succession, a funding or regulatory shift, an opportunity to grow programs or geographic reach, a need to build capacity, etc.
5. **Reality:** How much time, money, and internal capacity do we actually have?

What organizations do we already know that might value our Assets, honor our Keepers, and help mitigate or advance the Event? Nearly all the nonprofits (92%) we supported found partners within existing networks culled from board, executive director and staff connections, affinity groups, or organizations with which they had worked together in the past. On rare occasions, a matchmaking consultant made the connection (see P. 14, Table 2: Partner Identification Approach).

The MAKER Framework puts leaders in a position to assess and negotiate a prospective partnership from a position grounded in self-awareness and realistic expectations.

A GOOD PROCESS MATTERS

Of the 52 grants evaluated for this report, 83% met or exceeded expectations based on metrics set by leadership at the launch of their collaborations. Each collaboration had a unique set of challenges and opportunities, but successful ones shared a common approach:

1. **Identify the best partner(s):** Few leaders have the capacity to manage diligence for multiple potential collaborations while also running their nonprofits. Identify the strongest organizational relationship(s) with the MAKER Framework and pursue it/them first. If a collaboration is being considered in response to financial distress, have a "plan B" in case the first choice(s) fall(s) through – time is of the essence in these instances.

2. **Get the facts:** Individual board members often have vastly different levels of knowledge and experience in the nonprofit sector. Spend time upfront to educate the board on relevant program models, funding landscape, peer performance, etc.

3. **Empower executive directors and clarify board obligations:** Executive directors set the tone for diligence, are the basis against which organizational culture is assessed, and are the keepers of the facts. Boards maintain final approval or veto rights, but most critically, they must tend to the mission.

4. **Discuss culture early and often:** Culture is hard to define and may present differently at the board, leadership, and staff levels. Cultural assessments – of individual organizations and between collaboration partners – must be prioritized early and revisited often, sometimes for years. A thoughtful cultural integration plan for front-line staff is especially important. Their experiences directly impact program service and community engagement. For some NYMAC grantees (13%), cultural integration was the most difficult and persistent challenge following the launch of a collaboration, taking years to work through.

5. **Respect the power of language:** Words like "takeover", "merger", "fragile", "weak", "acquisition", etc. can inadvertently undermine trust and set up an adversarial process. Agree upon language upfront and be consistent. Develop a communication strategy early – staff and funders will likely

learn of the prospective collaboration before a press release – but wait to go public until Keeper issues have been resolved. Communications missteps can have long-term ill-effects [4].

6. **Confront the cost savings myth:** We have yet to encounter a transaction in New York in which cost savings alone compelled collaboration. For most collaborations in NYMAC's portfolio, cost savings were modest relative to budgets (1-11% of combined budgets) and were almost always reinvested in program or capacity.

7. **Keep the pace, but expect delays:** "Successful" collaborations were generated from well-paced, thoughtful processes in which leaders made timely decisions. Momentum is especially important in situations of financial asymmetry, where an organization facing a financial event can feel time more acutely than a stable partner (as one leader shared, "a day for them feels like a month to us"). Move at the speed of trust, while remaining disciplined about diligence. In addition, regulatory sign-off can delay the legal close of a collaboration well beyond reasonable expectations, adding unforeseen costs and anxiety. Lawyers can draft strong memorandums of understanding that will "in effect" launch a collaboration, or in the case of a merger, a parent-subsidiary relationship can serve as proxy.

8. **Plan for the future:** There are many resources and experts available to support due diligence and planning (lawyers, consultants, accountants, etc.). However, the feedback we consistently hear is that the real work begins once the documents are signed. At that point, leaders are typically on their own, reaping the benefits (or difficulties) of the groundwork that has been laid (or put off) to integrate cultures, restack reporting lines, shift program approach, and reach out to donors. Take advantage of the helpers while they are available and plan for Day 1 well in advance of close.

9. **Approach funders with care:** After "how do we start?" the most common question we get is "how do we pay for the collaboration?" In general, collaboration funders fall into three categories: (i) pooled grantmaking initiatives like NYMAC, that are focused on supporting sustained collaborations within a given region or sector[5]; (ii) those that already support a participating nonprofit (board members, long-time funders); and (iii) those that support capacity-building more generally. NYMAC and board members are often the first and sometimes only funders involved in the early stages of exploration and planning for reasons related to confidentiality and risk tolerance. For planning and launch, nonprofits raise funds from a mix of existing and new funders.

BAD PRACTICES ADD UP

We've witnessed a handful of failures throughout the years (17% of the collaborations in our portfolio did not meet expectations or were outright failures). Each involved well-intentioned leaders who, for whatever reason, shifted away from a mission-first perspective and instead prioritized personal identity and legacy, succumbed to an "influencer", and/or postponed tough discussions until the eleventh hour.

Individually, the bad practices below are surmountable and might even build trust between organizations if thoughtfully approached.
However, in critical mass, they are fatal:

DEGREE OF DIFFICULTY		
	HARD	• **Insular process:** This is the most common challenge. Executive directors can unintentionally insulate boards (theirs and that of a prospective partner) from important operational and financial issues. Uninformed and late-informed boards can create obstructive, prolonged processes that put collaborations in jeopardy. • **Prioritizing influencer(s):** Well-intentioned funders and founders can lead discussions astray from mission, or worse, promote unnatural partnerships that might otherwise not happen. **Mitigant:** Build strong diligence teams and involve neutral facilitators.
	HARDER	• **Multiple, strong executive directors:** Collaborations that align on mission, program, and financial conditions can fall apart if boards cannot agree on leadership at the executive/C-suite and board levels. **Mitigant:** Raise the leadership conversation early. For staff that must transition, consider severance or limited "consulting" arrangements to honor a person's service and facilitate knowledge transfer (the range we typically see spans two weeks to six months).
	HARDEST	• **Different realities:** It is nearly impossible for nonprofits that have fundamentally different views of a situation to negotiate constructively. The leaders we've known in these situations ultimately abandoned prospective collaborations, but only after many difficult months. • **Identity over mission:** A board's duty to the mission of a nonprofit takes primacy over all else. However, mission focus can get muddied as discussions around legacy, brand, and/or personal feelings of stewardship/identity arise. In our experience, this tends to occur near the end of negotiations, often after much of the plan is set. **Mitigant:** Revisit the MAKER Framework, in particular the Mission, Keepers, and Reality sections. Bring in a third-party to advance discussions or facilitate a friendly exit.

[4] We have seen collaborations publicly announced before completion of cultural, governance, and financial diligence. In some of these instances, boards decided not to move forward and the nonprofits ran different "ending" stories. Funders felt forced to take sides and reputations were damaged. If a collaboration won't happen, try to coordinate on the final external communication and part as friends.

[5] NYMAC is a founding member of the Sustained Collaboration Network, a national network of nonprofit funders and intermediaries dedicated to making nonprofits more efficient, effective, and sustainable through sustained collaboration.

SET EXPECTATIONS

Based on our portfolio review, there are a few things to consider (with eyes wide open) before pursuing a sustained collaboration:

1. **Collaborations take time:** Within our portfolio, grantees took eight months on average to explore whether they should pursue a collaboration. Planning a collaboration took 12 months on average (see Page 14, Table 3: Decision Time (Exploration)/Planning Time (Implementation)). Once collaborations legally closed, 80% of the nonprofits reported needing at least one year to work through integration challenges, most of which related to staff integration and culture.

2. **A neutral facilitator can bring multiple benefits:** Eighty-one percent of our grantees engaged an external project manager/facilitator whose role was to (i) be a neutral presence at the negotiation table; and (ii) keep discussions and decisions moving apace.

3. **For-profit experience can complicate decision-making:** Nonprofit board members that have professional experience in corporate M&A, restructuring, etc. bring important perspectives to the nonprofit sector, but some private sector "best practices" translate poorly. For example, collaborations are rarely driven by cost savings alone and most nonprofits do not have the capacity to run "competitive bid" processes with multiple potential partners.

4. **There are significant costs:** Staff time is typically the biggest cost for any nonprofit considering, planning, or launching a sustained collaboration. However, there are also external costs for lawyers[6], project managers/ facilitators, accountants, professionals for branding, IT integration, HR integration, fees for lease-breaking, moving, and severance. In NYMAC's portfolio, overall external costs for exploration due diligence ranged from \$8,500 for a facilitated offsite to explore a programmatic partnership between two nonprofits of less than six people each to \$135,000 for lawyers and financial diligence for a prospective merger involving a Federally Qualified Health Center. Most exploration costs were for consultant/facilitator engagements that lasted around six to eight months and cost \$25,000 - \$40,000. For implementation, external costs ranged widely (\$20,000 to \$685,000), depending on the type of collaboration pursued and the scale and complexity of the organizations. The largest spends were for severance, legal, consulting, and IT integration (see Page 14, Table 4: Average Costs).

[6] In New York City, many nonprofits are able to access pro bono or low bono counsel through The Lawyers Alliance and/or board member networks.


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PORTFOLIO OUTCOMES

Each grant was evaluated based on executive director and board assessments of performance against metrics they identified as the most meaningful for their collaborations. Grantees reported on metrics semi-annually for two-years (including a final meeting with NYMAC at the end of the reporting period). Eighty-three percent of the NYMAC grants included in this report met (39%) or exceeded (44%) expectations (see Page 15, Table 5: Overall Outcomes). The majority of nonprofits sought support for mergers (75%) (see Page 15, Table 6: Collaboration Pursued). Of the mergers, 44% took the form of a parent-subsidiary agreement (see Page 9, Table 7: Legal Form of Collaboration).

We grouped individual grantee performance into common metric categories (see Page 15, Table 8: Overall Outcomes and Table 9: Common Challenges):

- **Programmatic:** Overall, 71% of the nonprofits meaningfully enhanced or expanded program services. One leader shared that programmatic integration was easier than expected because of the upfront planning effort. Sixty percent of the nonprofits were able to serve more people, with growth rates ranging from 5% - 500%. Twenty-one percent of the collaborations preserved programs that would otherwise have closed, minimizing disruption to communities.
- **Financial:** The most common challenge for nonprofits was finding a way to support ongoing costs post-launch (18% were impacted). Those funded principally by government contracts were especially at risk (73% of nonprofits that had difficulty with ongoing costs received over 80% of funding from government contracts). However, 53% of nonprofits were able to achieve positive financial outcomes, including 19% that were able to increase fundraising and 17% that benefitted from scale. Thirty-one percent of grantees achieved cost savings, ranging from 1% - 11% of combined budgets.
- **Leadership/Talent:** A third of NYMAC grantees used collaboration to recruit and retain more talented C-suite leadership than they would have been able to independently. Another 15% were able to expand program teams. However, staff integration was a common challenge for 16% of nonprofits. Retention was an issue for 10% of the portfolio, with many highlighting cultural incompatibility as the root cause. Retention challenges often took over a year to solve.
- **Reputation/Branding:** Nearly 48% of the nonprofits believed collaborations improved their reputations and/or preserved the legacy of their partners.

Table 1: Collaboration Motivations

Note: Many collaborations had multiple motivations.

Motivation	(%) Total Collaborations
Reactive	**58%**
Financial Sustainability	35%
Program Expansion	27%
Infrastructure	16%
Succession	14%
Scale	4%
Geographic Expansion	2%
Legacy	2%
Proactive	**42%**
Financial Sustainability	23%
Program Expansion	32%
Infrastructure	13%
Succession	11%
Scale	19%
Geographic Expansion	2%
Legacy	0%

Table 2: Partner Identification Approach

	(%) Total Collaborations					
Approach	Merger	Administrative	Programmatic	Administrative/ Programmatic	Spin-out	(%) Total Collaborations
Executive Director Relationship	33%	6%	6%	1%	2%	48%
History of Programmatic Work	29%	2%	6%	1%	-	38%
Retained Matchmaker	8%	-	-	-	-	8%
Board Relationship	6%	-	-	-	-	6%
Total	**76%**	**8%**	**12%**	**2%**	**2%**	**100%**

Table 3: Decision Time (Exploration)/Planning Time (Implementation)

	No. of Months						
Grant Type	0-3 months	4-6 months	7-9 months	10-12 months	Over 12 months	Average	Median
Exploratory	6%	12%	10%	6%	4%	8	7
Explormentation	0%	1%	3%	4%	6%	12	12
Implementation	4%	6%	10%	13%	15%	12	10
Total	**10%**	**19%**	**23%**	**23%**	**25%**		

Table 4: Average Costs

		Average Costs									
Grant Type	Org Type*	No. Collaborations	Consultant Fee	Legal	Financial/ Accounting	Severance	IT Integration	Branding/ Marketing	Moving	Lease Breaking	Other
Exploratory											
	Economic Engines - Economic Engines	3	$18,583	$75,000	$50,000	-	-	-	-	-	-
	Economic Engines - Large Safety Net	1	$20,000	-	-	-	-	-	-	-	-
	Economic Engines - Mid Safety Net	2	$25,000	-	-	-	-	-	-	-	-
	Economic Engines - Small Safety Net	2	$33,500	$5,000	-	-	-	-	-	-	$25,000
	Large Safety Net - Mid Safety Net	1	$26,000	-	-	-	-	-	-	-	-
	Large Safety Net - Small Safety Net	3	$39,833	-	-	-	-	-	-	-	-
	Large Safety Net - Grassroots	2	$22,500	-	-	-	-	-	-	-	-
	Mid Safety Net - Small Safety Net	1	$34,000	-	-	-	-	-	-	-	-
	Mid Safety Net - Grassroots	1	$18,000	-	-	-	-	-	-	-	-
	Small Safety Net - Small Safety Net	1	$10,000	-	-	-	-	-	-	-	-
	Grassroots - Grassroots	2	$19,250	-	-	-	-	-	-	-	-
		Overall Average	$25,461	$40,000	$50,000	-	-	-	-	-	$25,000
		Overall Range	$8,500 - 66,500	$0 - 75,000	$0 - 50,000	-	-	-	-	-	$0 - 25,000
Explormentation											
	Economic Engines - Economic Engines	1	$50,000	$180,000	$40,000	$210,000	$30,000	-	-	-	-
	Economic Engines - Large Safety Net	1	$40,000	$15,000	$20,000	$150,000	$25,000	-	-	$100,000	-
	Large Safety Net - Small Safety Net	1	$20,000	$15,000	-	$80,000	$5,000	$20,000	-	-	-
	Mid Safety Net - Small Safety Net	2	$46,500	$60,000	-	-	-	$30,000	-	-	-
	Small Safety Net - Small Safety Net	2	$24,000	-	-	-	-	-	-	-	-
	Grassroots - Grassroots	1	$20,000	-	-	-	-	-	-	-	-
		Overall Average	$33,875	$67,500	$30,000	$146,667	$20,000	$25,000	-	$100,000	-
		Overall Range	$12,000 - 75,000	$15,000 -180,000	$20,000 - 40,000	$80,000 - 210,000	$5,000 - 30,000	$20,000 - 30,000	-	$0 - 100,000	-
Implementation											
	Economic Engines - Economic Engines	1	$30,000	-	-	-	-	$-	-	-	-
	Economic Engines - Large Safety Net	2	$40,000	-	-	-	-	$-	-	-	-
	Economic Engines - Small Safety Net	1	$15,000	-	-	-	-	$-	-	-	-
	Economic Engines - Grassroots	2	-	-	-	-	$68,250	$8,120	$8,870	$25,000	$25,000
	Large Safety Net - Economic Engines	1	$25,000	$250,000	$115,000	$150,000	$50,000	$75,000	-	-	-
	Large Safety Net - Large Safety Net	2	-	$9,000	$18,000	$70,000	$37,825	$7,330	$13,500	-	-
	Large Safety Net - Mid Safety Net	1	$35,000	$150,000	-	$65,000	$-	$25,000	$20,000	-	-
	Large Safety Net - Small Safety Net	1	$12,000	-	-	-	$-	$-	-	-	-
	Large Safety Net - Grassroots	2	$52,000	-	$9,500	$14,000	$25,625	$17,750	$1,750	-	-
	Mid Safety Net - Grassroots	3	$3,000	$500	$18,250	$20,000	$25,000	$10,000	$6,750	$5,200	$5,200
	Small Safety Net - Small Safety Net	2	$10,000	$75,000	$10,000	$61,250	$24,500	$30,000	$6,500	$36,900	$36,900
	Small Safety Net - Grassroots	6	$25,000	$1,000	$28,142	$36,063	$39,437	$22,875	$10,917	$11,533	$11,533
	Grassroots - Grassroots	1	$5,000	-	$5,000	-	$5,000	$10,000	-	-	-
		Overall Average	$23,083	$66,219	$26,596	$47,976	$39,060	$20,197	$10,948	$16,950	$16,118
		Overall Range	$3,000 - 52,000	$1,000 - 250,000	$1,000 - 115,000	$10,000 - 150,000	$1,185 - 75,000	$12,500 - 75,000	$1,750 - 25,000	$1,000 - 36,900	$1,000 - 54,000

*Categories are based on annual operating budgets: Grassroots, <$1.0 million; Small Safety Net, between $1.0 - $5.0 million; Mid Safety Net, between $5.0 - $10.0 million; Large Safety Net, between $10.0 - $50.0 million; Economic Engines, >$50.0 million.

Table 5: Overall Outcomes

Grant Type	Collaboration Type	Outcome: A - Exceeded Expectations	B - Met Expectations	C - Below Expectations	D - Failure
Exploratory	Administrative	2%	2%	0%	0%
	Administrative/Programmatic	2%	0%	0%	0%
	Merger	6%	12%	5%	2%
	Program	2%	4%	0%	0%
Explormentation	Merger	6%	4%	6%	0%
Implementation	Administrative	2%	2%	0%	0%
	Administrative/Programmatic	0%	2%	0%	0%
	Merger	16%	13%	4%	0%
	Program	6%	0%	0%	0%
	Spin-out	2%	0%	0%	0%
Total		**44%**	**39%**	**15%**	**2%**

Table 6: Collaboration Pursued

Grant Type	Type of Collaboration: Merger	Administrative	Programmatic	Administrative/Programmatic	Spin-out
Exploratory	25%	4%	6%	1%	0%
Explormentation	15%	0%	0%	0%	0%
Implementation	35%	4%	6%	2%	2%
Total	**75%**	**8%**	**12%**	**3%**	**2%**

Table 7: Legal Form of Collaboration

Legal Form	Type of Collaboration: Merger	Administrative	Programmatic	Administrative/Programmatic	Spin-out
Parent-Subsidiary	44%	-	-	-	-
Merger	33%	-	-	-	-
Asset Transfer	12%	-	60%	-	-
Acquisition	7%	-	-	-	-
Administrative Agreement	0%	40%	-	-	-
Asset Transfer/Dissolution	4%	-	-	-	-
Divestment	0%	-	-	-	100%
MOU	0%	60%	40%	100%	-
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Table 8: Performance Metrics

Outcome	Performance: Good	Modest	Poor	N/A
Program	71%	8%	12%	9%
No. Clients Served	60%	8%	2%	30%
Leadership/Talent	54%	8%	6%	32%
Financial	53%	4%	8%	35%
Reputation/Branding	48%	4%	2%	46%
Geographic Reach	35%	63%	2%	0%
Cost Savings	25%	6%	6%	63%

Table 9: Common Challenges

Challenge	Collaborations (%)
Ongoing Costs	18%
Staff Integration	16%
Board Buy-in	13%
Cultural Integration	13%
IT Integration	11%
Community Buy-in	8%
Prolonged Process	5%
Executive Director Capacity	5%
Program Integration	5%
Communication	2%
Integration Cost	2%

CONCLUSION

Sustained collaboration is not a universal solution to the many challenges nonprofits face, but it can be a powerful tool for change and deserves routine strategic consideration by nonprofit leaders and boards. Over the years, we have been honored to be of service to nonprofit leaders who have worked to change the perception of collaboration by merit of their achievements, shifting the discussion away from the failure of the weak and ill-managed, to a strategy for the sophisticated seeking to increase their impact and build stronger organizations.

ACKNOWLEDGEMENT

NYMAC is indebted to New York City nonprofits. Their good work is the beating heart of this fine city. We are committed to doing our part in building a more just, vibrant, and healthy nonprofit sector. We hope nonprofit leaders, funders, and other interested stakeholders will find something new to consider in these pages as they plan their own paths forward.

We would like to thank Altman Foundation, The Booth Ferris Foundation,
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The Lodestar Foundation (who introduced us to nonprofit collaboration in 2008),
The New York Community Trust, and the committed individual philanthropists who support NYMAC's work (many of whom have been with the Fund since its launch). We are privileged to call you partners.

About SeaChange

SeaChange partners with nonprofits facing complex financial and organizational challenges. We create new models for funders to support nonprofits. We make grants and loans, offer advice, and share learnings from the field so that our nonprofit partners are better able to pursue their missions. We seek to partner with nonprofits of all sizes, sectors, and geographies.

We have been a grantmaker focused on sustained collaboration for over a decade. We began with the SeaChange-Lodestar Fund for Nonprofit Collaboration – a grantmaking initiative that helps nonprofits explore, plan, and execute their collaborations – which we launched in partnership with the Phoenix-based Lodestar Foundation in 2008. We expanded that work to three more grantmaking initiatives launched in partnership with funders: The New York Merger and Collaboration Fund, The Greater Philadelphia Nonprofit Repositioning Fund[7], and The Transformational Partnerships Fund, which is focused on Higher Education Institutions. Across these four funds, we've reviewed more than 1,500 potential collaborations and made grants to support over 230 collaborations.

[7] SeaChange initially served as an advisor during the formation of NRF and now hosts that fund.

SeaChange
Relentless Nonprofit Champion

To learn more about NYMAC's work or this report, please contact Jess Cavagnero at jcavagnero@seachangecap.org.

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