CHARITY VILLAGE

Friendship, Courtship, Partnership

WHY CANADIAN NONPROFITS NEED TO THINK ABOUT WORKING TOGETHER DIFFERENTLY

PATRICIA EVANS & BARBARA GRANTHAM

ABOUT CHARITYVILLAGE®

CharityVillage is Canada's leading online resource for professionals in the nonprofit sector. We connect people to ideas, opportunities and each other. For more information about CharityVillage, contact Shawn Mitchell at shawn@charityvillage.com or at (604) 254-1826.

ABOUT THE AUTHORS

Barbara Grantham has been the Principal of Barbara Grantham Consulting Services Inc. for the past several years. As of July 2012, she is joining the VGH/UBC Hospital Foundation in Vancouver as Senior Vice President, Strategic Initiatives and Philanthropy. In addition to her solo practice, from time to time Barbara has provided services in collaboration with Patricia Evans. Patricia is Principal Consultant with Patricia Evans & Associates Inc. in Vancouver, providing strategic planning and facilitation services to clients in the social profit and public sectors. To learn more about her work to enhance clients' ability to achieve great things for their communities, connect with Pat on LinkedIn.

COPYRIGHT

Contents

Table of Exhibits

Introduction

In 2011, we were contacted by an informal association of nonprofit organizations currently supporting delivery of human care services in Canada. Although the members of the group operate as distinct and legally separate entities with discrete mandates, they recognized that some of their activities overlap and complement one another.

The overlaps were evident in philanthropic, administrative, and service delivery activities; leading to a persistent question: **should they be sharing services or working in a more collaborative context?** The possibility of selective integration was suggested by similar activities undertaken by peer organization, and by the organizations' own commitment to responsible donor stewardship, outstanding programs and exceptional client service.

The organizations sought our consulting support to explore options through which they might adopt a collaborative model without losing their distinctive identities and unique value propositions for clients and donors.

The questions they asked were timely, and we believe the learning and answers revealed by the project are valuable to the sector more widely. Perhaps surprisingly, the results can be summed up in two clear messages:

- Don't expect collaboration to save your organization money; and
- Do consider the possibility that working together may be essential to your long-term viability.

Change as a constant

The Canadian nonprofit sector faces unprecedented and persistent change. As nonprofit leaders know only too well, the many external pressures and realities shaping our organizations include:

- Increasing expectations of *accountability* and *transparency* from donors, funders, governments, regulators and clients/customers, to name a few;
- An *unpredictable economic climate* that has many donors and citizens being more cautious about their philanthropic decisions and is, for some charities, having a negative impact on revenue;
- More *competition* for discretionary dollars, and in particular, more competitive behaviour on the part of charities for philanthropic dollars and relationships;

- Donors who want to be more *involved and engaged* in their giving, and funders more generally that are looking for specific *impacts and outcomes* as a result of their support. This requires a change in behaviour by charities seeking gifts from highly engaged donors who seek maximum impact from their philanthropic investment.
- Changes in the way in which *publicly delivered services* are governed, planned, funded and delivered, impacting health and human services agencies. These shifts include new models of service delivery, regionalized programs and "back end" services, increasing emphasis on evidence-informed care and practice, increasing emphasis on prevention and the social determinants of health, contracting with third parties to deliver public services with specific deliverables and outcomes, and rising use of technology in service delivery; and
- *Shifting demographics*, with the population becoming more culturally diverse, older and more transient, making it more challenging for nonprofit organizations to attract and retain human resources, both paid and volunteer.

These winds of change are leading nonprofit organizations to seek out new ways to deliver better service and/or realize organizational efficiencies, all with an eye to achieving overall goals of maximizing philanthropic contributions to their cause, making the most of public resources, improving their impact and furthering their organizational mission.

All nonprofits must demonstrate that they are providing the best possible service at the best possible price. That responsibility, and the pressures cited above are therefore bringing about **internal changes** for these same organizations. These shifts include:

- Increasing *reliance on technology* to do the work – daily transactions, communications, online giving, social media, etc. – brings about cost pressures, training needs and shifting work patterns;
- Pressure to be *competitive as an employer*, going to significant lengths to attract and retain top-flight staff;
- More challenges in *attracting and retaining strong volunteer leaders* to serve on Boards and Committees, and undertake other community leadership work;
- The need to search out *new sources of revenue* and aggressively *diversify* revenue streams; and
- Working with *donors and funders in new ways*, in response to their desires for engagement and impact, and to funding specific outcomes.

A review of the literature

In the summer of 2011 we conducted a comprehensive online search of the scholarly and grey literature to identify resources sharing current best or promising practices, trends, examples and innovative thinking in the area of shared services and collaboration for foundations and nonprofit organizations. We looked for sources in the English language, from organizations in Canada and the US and/or from industries, service providers and consulting groups working in the nonprofit sector and philanthropy. In general, the majority of material was found from US sources.

The literature reflected a range of activities motivated by tough times: recent economic crises have apparently intensified both the financial pressure and fundraising expectations for many organizations. Yet while the search for economies of scale and cost savings may have motivated many explorations into partnership and collaboration, the literature reflected little evidence that these kinds of outcomes have been achieved.

One comprehensive review of recent efforts in the field of US community foundations found that: "the level of stated interest does not match the relatively rare instances of action and success in pursuit of cost savings through collaboration between organizations. Cost savings can be elusive or deferred due to potentially significant up-front investments," found this study. However, "a range of other long-term benefits should be considered as factors in the decision to pursue a new structure." These include leveraging expertise, promoting philanthropy, amplifying community leadership, and integrating program strategy. [i]

So given the strategic importance of these longer-term benefits, how might nonprofit organizations approach the question of collaboration? We found resources that reviewed opportunities for sharing and collaboration from two perspectives: first, what specific services and activities may be considered for sharing, and secondly, the range of structural options for how to share or integrate activities.

Opportunities for collaboration

WHAT TO SHARE? WHY COLLABORATION?

Some of the leading thinking in this area has been published by the US consulting firm LaPiana Associates, a consultancy in California specializing in collaboration and strategic planning for the nonprofit sector. They have written extensively about options for collaboration in nonprofit administration, including publishing case studies of charities with which they have worked to implement collaboration in areas such as human resources, finance, information technology, marketing and communications, grant-writing, purchasing, security, telecommunications, and office space/infrastructure.[ii]

They propose three potential paths available to partners considering collaboration, based on the premise that most organizational functions exist at three distinct levels: transactional, managerial and strategic. Here's how they distinguish between and define the three with regard to administrative functions:

- "*The Transactional*: Tasks at this level include the baseline paperwork for personnel processing, benefits administration, payroll, bookkeeping, file management, and maintenance of IT systems. The focus is on current day-to-day operations.
- *The Managerial*: Tasks at this level include employee relations, management development, training, financial reporting and analysis, and network and database administration. The focus is on short-term future decisions and direction.
- *The Strategic*: At this level, administration entails connecting multiple functions and increasing cohesion and effectiveness. The focus is on longer term future decisions and direction."[iii]

Recognizing the difference between these three levels is crucial to understanding the implications of any potential collaboration or consolidation, since the three levels vary in terms of the benefits, risks and requirements you should anticipate. LaPiana Associates argues that collaboration or consolidation can occur at any of these levels, but it most likely to be attempted at the transactional level (e.g., through sharing or consolidating paperwork and data). This is because transactional-level sharing often involves a lower level of stress and organizational change than might be encountered at a deeper or more sensitive level of involvement.

The possibilities for sharing human resources support services provide one such example. At the transactional level, there is likely to be little anxiety associated with outsourcing or sharing benefits and payroll administration, as long as the desired service levels are maintained. At the managerial level, considerably more sensitivity and specificity is likely to be encountered between organizations when it comes to services like employee relations and staff development. And the most delicate decisions, such as leadership hiring or terminations, are also the most strategic level and least likely collaborations to be pursued as a shared service.

Keeping these levels in mind, the most common areas explored in any discussion of sharing involve what are broadly referred to as back office services. These are generally understood to be transactional and managerial activities that are supportive to the strategic initiatives undertaken by nonprofit organizations. They include administrative and professional services, such as:

- Accounting services
- Advertising
- Design and creative
- Direct mail
- Event planning
- Financial audit
- Gift processing/database
- Human resources
- IT (desktop/help desk)
- IT (systems infrastructure)
- Investment management
- Legal
- Marketing/communications
- Printing
- Web hosting / maintenance

In addition to these functions, collaboration is sometimes also considered for a selection of more strategic and programmatic services such as:

- Board development and governance
- Fund development/campaign consulting
- Organizational and staff development
- Program development/delivery
- Strategic planning/management consulting

How to share

Once potential partners have determined what they want to share, their next step is to consider how to go about it. Our literature search identified a range of alternative approaches from organizational partnerships. Different authors use different names or categories for the approaches, but together these analyses cover a common set of features including the *level of formal relationships* involved, the required *governance structure*, and the *impact on organizational identity* or brand. We found five broad options for consideration:

1. ***Administrative Collaboration:*** least formal, low risk, lowest financial impact
2. ***Administrative Consolidation/Alliance:*** more formal, typically contractual provision of services by one partner to other(s) to achieve savings
3. ***External Service Provider(s):*** group purchasing to achieve economies of scale, volume discounts or other benefits that arise from contracting with a common provider
4. ***Management Service Organization (MSO):*** cooperative investment in and/or commitment to purchasing through a specialized provider organization created to serve the partners in order to decrease costs and/or enhance service delivery
5. ***Merger:*** most formal, highest complexity, potential impacts on mission and branding, and greatest opportunity for positive financial impact

Table 1 below describes and compares the five approaches.[iv] In addition to the options described in that table, the BC project identified two additional approaches, program collaboration and strategic opportunities for synergy. These are discussed later in this report. Table 2 presents analysis of the advantages and disadvantages of three options that are most commonly pursued: collaboration, consolidation and MSOs.

TABLE 1: TYPES OF ADMINISTRATIVE PARTNERSHIPS

	ADMINISTRATIVE COLLABORATION	ADMINISTRATIVE CONSOLIDATION OR ALLIANCE	EXTERNAL SERVICE PROVIDER(S)	MANAGEMENT SERVICE ORGANIZATION	MERGER
Level of formality and duration	Informal and not necessarily enduring	Formal agreement for a specified term with contracted exit terms	Formal agreement for a specified term (business arrangement)	Enduring and formally structured corporate entity is created, with shared decision-making	Most formal and enduring – one or more organizations cease to exist legally
Involving	Sharing of services and expertise	Sharing of functions to increase administrative efficiency –finding scale economies and cost savings, centralized expertise	Outsourcing elements of administration to a third party professional on a fee for service basis	New organization is created to integrate admin functions and serve the founding organizations	A single governance and administrative entity supports multiple "brands" or public identities
Examples	Sharing of best practices, under-used resources or staff time	Contract for services to be provided by one entity to others for specified fees	Bookkeeping services, contract IT provider	Purchasing cooperative; shared service organization (e.g., HSSBC)	Local sites maintain a public face with their local brand; back office and governance functions are consolidated
Legal & Governance	Does not involve any change to the corporate structure of the participating organizations	Does not involve any change to the corporate structure of the participating organizations	Does not involve any change to the corporate structure of the participating organizations	Governance of the MSO is typically shared among founding sponsor organizations as shareholders	One or more organizations become subsidiaries of another OR two or more merge to create a new entity
Identity	Distinct identities	Distinct identities, but opportunity to promote affiliation as a strength/ good business practice	No impact on identity	No impact on identity	Varies – may involve a combined or new identity; branding may vary by site/community

Adapted from Bill Coy and Vance Yoshida, *Administrative Collaborations Consolidations, and MSOs*, LaPiana Associates Inc., 2006, accessed October 16, 2011 from http://www.lapiana.org/downloads/Admin_Partnerships_briefing_paper.pdf and from Rebecca Graves and Hollie Marston, *Seeking Shared Success: Business Model Innovation through Mergers, Affiliations and Alliances. Stories and insights from across the community foundation field,* Council on Foundations Community Foundations Leadership Team, February 2011 http://www.fsg.org/Portals/0/Uploads/Documents/PDF/Seeking_Shared_Success.pdf?cpgn=WP%20DL%20-%20Seeking%20Shared%20Success

TABLE 2: ADVANTAGES & DISADVANTAGES OF 3 TYPES OF PARTNERSHIP

Adapted from Bill Coy and Vance Yoshida, *Administrative Collaborations Consolidations, and MSOs*, LaPiana Associates Inc., 2006, accessed

	BEST USED WHEN	ADVANTAGES	DISADVANTAGES
Collaboration	Scalability is not possible Autonomy needs are high Systems are too unique for consolidation	No need for outside resources, a new entity, or new systems Can be implemented quickly Flexible, no long-term commitments Less cost to implement	Solutions are limited by the organizations' resources Limited ability to increase capacity Potential synergies of a deeper partnership are not realized
Consolidation	Non-profits operate similar programs in the same or adjacent communities Good relations exist among the parties Expansion is not necessary	Consolidating simple functions is often inexpensive and yields quick results	Possibility of taking resources and focus away from the mission Time to administer Serving two or more masters Costs of building/migrating systems
Management Services Organization	This will be the entity's sole business Existing systems need minimal migration Systems are easily scalable Funders will support start-up Board is supportive and "buys in"	An opportunity to create new systems from scratch to meet service needs Shared ownership More easily identified as a separate organization with expansion possibilities An integrated service model Mission focus of the MSO is on providing administrative services not development programs	Need to create new systems from scratch Expensive to create There may be significant migration issues Requires initial large investment of time Potential loss of control over operations in core areas; that is, loss of ability to customize services

October 16, 2011 from http://www.lapiana.org/downloads/Admin_Partnerships_briefing_paper.pdf

LaPiana Associates has advised a high-level approach to analyzing potential outcomes and deciding which option suits a given set of potential partners. Their framework is based on consulting experience in advising clients whether or not any of the five options is worth pursuing in their particular circumstances.

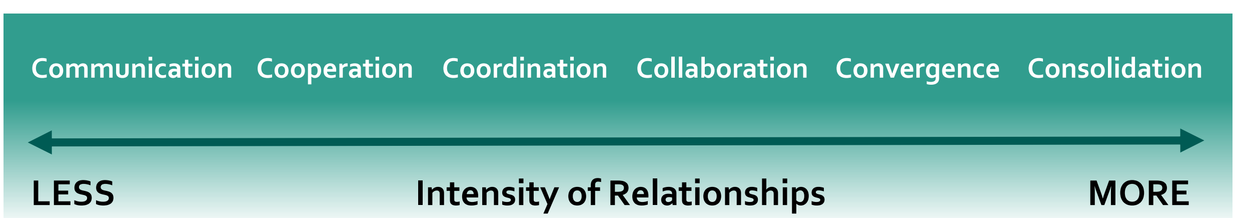
"Given the cost and effort required, there must be a real gain to justify its pursuit," say the US consultants. "The main goal is to provide *better support for programs* (emphasis the consultants). Designing a partnership that merely enables shared delivery of the same level of service the parties experienced separately for the same cost is not desirable. The outcome must fall into one of three categories for it to be worth pursuing: produce the same or a higher level of service for a lower cost, or a higher level of service for the same cost. A fourth option – a partnership yielding a higher level of service, but at a higher cost – must yield worthwhile gains in the level and/or quality of service to be financially bearable to all parties." [v] The matrix in Figure 1 below illustrates this range.

FIGURE 1: ANALYSING COST BENEFIT

	LEVEL OF SERVICE		
COST	LOWER	SAME	HIGHER
HIGHER	☒	☒	☑
SAME	☒	☒	☑
LOWER	☒	☑	☑

But there are more than financial costs to consider when selecting amongst options: as most nonprofits know, we ignore the people factors at our peril. So when it comes to consolidation, we must remember to consider the intensity of relationships amongst the participant organizations that will be required for collaborative success. A 2008 paper written by two US scholars, Thomas Corbett and Jennifer Noyes, identifies a range of options for collaboration in human service systems integration that involve varying degrees of integration or sharing of functions. These degrees of integration, they assert, can be described according to the intensity of the relationships required amongst participating organizations as illustrated in **Error! Reference source not found.** below:[vi]

FIGURE 2: DEGREES OF INTEGRATION



Corbett and Noyes explain that each of the degrees of integration involves a different intensity of relationship, and that the workload and time required to nurture the interaction grows accordingly:

> "Agencies and programs are positioned on the communication rung when they regularly meet, exchange information, and maybe even have some informal agreements about how to handle certain common challenges or clients. The level of communication must intensify, however, before we might call it cooperation. The quality of interactions, as suggested by the associated tasks and tactics, become even more formal, regularized, and detailed as one moves further along the continuum. One cannot legitimately talk about coordination or collaboration, until participating agencies are working together in a meaningful way as evidenced by such actions as developing cross-training programs or integrating application protocols and eligibility standards. Likewise, one probably cannot label a local effort as achieving convergence or consolidation until there is evidence of shared resources and the loss of distinct program identities." [vii]

Finding the best fit

To summarize, the literature suggests that there are at least four dimensions to consider when developing a list of options for consideration by any potential collaborators. First, you need to decide on the *service* or activity to be shared (e.g., accounting, program delivery, HR, web hosting), and then determine the level of *functional focus* (i.e., transactional, managerial, strategic) at which sharing will be pursued. Third, you'll have to consider the *degree of integration* involved (intensity of relationship as described in **Error! Reference source not found.** above).

And finally, you'll want to explore *how* to share: the most suitable *structural option* for sharing. Each of the seven approaches to working together differently are presented below along with a brief discussion of some of the considerations potential collaborators will want to thoroughly explore.

A. ADMINISTRATIVE COLLABORATION

Based on the findings of the literature review, we define the option of ***Administrative Collaboration*** as an "informal, and not necessarily enduring, arrangement wherein non-profits share services or expertise. It can include the sharing of best practices, underused resources, or staff time."[viii] Overall, collaboration is considered to be a good choice when:[ix]

- Exchanging information is all that each of the partnering organizations expects
- A funder or government agency raises the concern that two or more organizations are unaware of what is happing in their mutual areas of interest
- A funder or government agency perceives a duplication of services
- Cooperation rewards all participating organizations equally
- Customers or clients participate in the programming of all potential allies and will directly benefit from the shared information (in this case, for example, a unified approach to a potential golf tournament sponsor)
- The goal is achieving economies of scale for a one-time event or short-term project
- Potential partners share common short-term outcomes or plans
- Shared resources will help potential partners accomplish short-term objectives

- Potential partners need to maintain their individual identities within the context of the event or short-term project

One such example lies in the area of **professional development**. It's relatively straightforward for one nonprofit to organize a guest expert speaker, and invite staff of another agency to attend the talk. A more systematic approach can of course be pursued, whereby an annual rota of speakers of interest to the group is established with each partner, in turn, taking responsibility for providing the topic, presenter, location and logistical support.

Staff education efforts could also be shared on this basis, by organizing and sharing the costs of courses on topics of common interest. One idea in this regard relates to the current shortage of (e.g.) major gifts personnel in the fund development employment market; as an alternative to competitive recruitment, collaborating foundations could co-sponsor or co-fund professional development for their existing staff to "grow their own."

A less formal and potentially minimal-cost educational opportunity would be for nonprofits to endorse and provide logistical support for *communities of practice*, whereby staff across the organizations working in similar functions meet periodically (either in person, or virtually by web conference) to share expertise and best practices and discuss common challenges. Secondments and temporary assignments for training are another option that builds on this approach, perhaps offering the benefit of job enrichment for long-term employees who find limited immediate opportunity for advancement within relatively small organizations.

Governance is another area where education and training might be pooled. In Canada, most nonprofit organizations exist as provincially or federally incorporated societies, with boards that share common legislative and fiduciary duties. A shared board orientation session could, for example, combine plenary sessions on these common issues for all governors, with breakout groups focusing on individual organization topics. Reduced consulting fees and/or staff time for orientation are some of the potential benefits.

B. ADMINISTRATIVE CONSOLIDATION

An ***administrative consolidation*** is defined as a "formal agreement that involves the sharing of specific functions to increase administrative efficiency. It includes a commitment to continue, for the foreseeable future, shared decision-making power."[x] Because it doesn't involve any change to the corporate or governance structure of participating organizations, it is a less permanent option than creating a Management Services Organization (see below). But administrative consolidation requires considerable time, effort and commitment on behalf of all those involved.

Relatively few nonprofits have identified surplus services or have formally issued expressions of interest in acting as a service provider to their peers. The literature suggests that potential service providers may also be concerned that, in order to provide high quality services to meet their peers' needs, focus and energy would be diverted from attention to their own organization's core purpose for operations. And given the risks involved, little interest is expressed in 'staffing up' to create excess capacity that could be made available to peer organizations as a separate business line or as an approach to generating revenue.

None the less, the option bears consideration. Some nonprofits we spoke with expressed openness to being approached by peers to explore providing selected back office services, providing that all costs could be recovered and that terms and conditions for the arrangement could be worked out to the mutual satisfaction of all involved.

And if none of the potential partners is an eager service provider, would-be collaborators still have the option of sharing back office services through outsourcing to a third party. Two approaches to sharing are explored below (External Service Providers and Management Service Organizations) that offer potential for achieving volume discounts or economies of scale, and for pursuing increased service levels through shared expertise that comes with volume of experience.

C. EXTERNAL SERVICE PROVIDER(S)

External Service Provider(s) are defined as arrangements involving collaboration through group purchasing to achieve economies of scale, volume discounts or other benefits that arise from contracting with a common provider.

One of the first possibilities that arises in any discussion of shared services is group purchasing – combining business with peer organizations in order to negotiate "bulk rates" or other preferred service arrangements with suppliers. To ascertain the potential for such arrangements that could be pursued, potential collaborators should begin by gathering data regarding their current supplier preferences in a range of likely opportunity areas and functions. Details of the survey findings can then be analyzed to determine existing commonalities and/or opportunities for future group purchasing. The literature review indicates that there are several options to be considered with respect to shared approaches to external suppliers.

Potential group buying activity tends to be viewed by collaborators most favourably when the services involved are in primarily transactional areas. Examples include direct mail and the possibility to negotiate a multi-organization group rate for list management, creative and mailing costs; also mentioned is the potential to contract for shared event management support.

One consortium of community foundations in the US made a combined approach to several IT providers, issuing a request for expression of interest in becoming sole supplier of services for their group. The scope of services required encompassed research and development of new, custom donations processing software for the use of that group, to meet their common needs.

In the course of negotiations with this group of foundations, one potential supplier ended up offering to invest with them in development of a new Management Services Organization (see next section) that would not only develop the new tools but subsequently market them to other like-minded organizations in other (non-competing) jurisdictions. The goal of the new organization was envisioned as not only to provide the tools needed by the founders, but also to generate a long-term revenue stream for all partners.[xi]

At the management and strategic levels, fewer possibilities are frequently mentioned as opportunities for external purchasing collaboration. Most of these relate to purchasing of services that are typically more relationship-based; these areas are therefore unlikely to offer opportunities for early collaboration across organizations.

D. MANAGEMENT SERVICE ORGANIZATION(S)

A ***Management Service Organization (MSO)*** is defined as a new organization created to integrate administrative functions, with the goal of improving efficiency in participating organizations. One characteristic of MSOs is that, in contrast with the external service providers described in the previous section, they are not created to be independent for-profit enterprises. Governance of the MSO is typically shared among the founding organizations, based on cooperative investment in and commitment to purchasing services. Thus MSOs are specialized provider organizations created by the partners to serve their unique needs, offering a specialization advantage when compared to generic suppliers who serve multiple markets and sectors.

The measures used to evaluate the success of consolidation efforts through MSOs are generally financial, such as increasing revenues and/or making savings available for reinvestment. Sometimes qualitative benefits can also be anticipated: by reducing duplication, consolidation is believed to have provided greater backup capacity contributing to a system that is more integrated and robust than it was previously.

In their research with US nonprofit organizations, the US-based consultants LaPiana Associates Inc. found that MSOs are not very common and, where they exist, tend to be fairly narrowly focused. The MSOs examined tend to consolidate only selected common functions, leaving out those that are specialized or unique to a given organization. "Successful MSOs typically have a mission related to serving a specific community and assisting in the capacity-building efforts of organizations in that community," LaPiana's team reported.

Potential collaborators that consider service provision by an MSO should keep in mind that this approach is likely to involve considerably higher integration (intensity of relationships), more time and effort, and greater complexity. Again, early opportunities likely lie most obviously at the transactional level, particularly in the areas of accounting and donations processing.

Because of the additional incremental costs of planning, incorporation and ongoing management of an MSO, this approach is unlikely to generate savings for participating organizations in the short term. Opportunities for benefits most likely lie in the potential for increased service levels and efficiency, and, in the longer term, prospects for access to enhanced expertise and even future revenue streams.

E. MERGER

The option of a ***merger*** is the approach to sharing which is most formal, complex, and has the greatest potential impact on mission and branding. This option is also often assumed to offer the greatest potential impact on financial efficiency and effectiveness, although it is acknowledged that these benefits may be well down-stream in the process.

Our research identified circumstances where several Canadian foundations merged all activities, including identities and brands, to mirror the administrative and governance structures of the institutions for which they fundraise. This has often been the case in health care, where administrative mergers of affiliated hospitals through provincially-mandated regionalization efforts have led to exploration of mergers amongst their respective foundations.

Research also identified several examples in the US where governance and administrative integration are mirrored by back office and support service consolidation, but organizational brands remain locally identified.

One Canadian example in this regard is found in northern British Columbia. Local community funds in communities such as Chetwynd, Fort St. John and Fort Nelson receive donations and make grants to benefit their communities, and pursue very local, community-oriented missions. Yet from a legal and governance perspective, these community funds are actually donor-advised funds within the larger administrative structure of the Prince George Community Foundation. The local community funds are able to operate with the full support, skill set and scope of services provided by the larger parent foundation, while maintaining a local identity and retaining control over their locally-raised resources.

In the course of our work, we found two additional types of collaboration that are not well-described in the literature. We call these "program collaboration" and "strategic opportunities for synergy."

F. PROGRAM COLLABORATION

By ***program collaboration*** we refer to sharing core program activities (including fund development), as distinct from administration and back office services. Due to their unique identities, value propositions and community relationships, nonprofit organizations are often cautious about entering into such arrangements. However, given the high costs of certain kinds of activities, there is precedent for this kind of shared initiative. It is most commonly pursued by multiple charities sharing the risks and rewards of a major program initiative such as a new program launch.

These collaborations are increasingly seen as organizational imperatives, not only from the perspective of cost effectiveness, but also for organizational survival. As the environment changes, there is a requirement to consider new organizational models in order to be relevant. Static organizations are increasingly seen as less viable in an environment that is changes our expectations, possibilities and requirements for governance, organizational infrastructure and program delivery.

G. STRATEGIC OPPORTUNITIES FOR SYNERGY

As noted previously, sharing and cooperation are understood to offer a range of long-term benefits that potential partners should consider as factors in the decision to pursue new structures and relationships, including "leveraging expertise, promoting philanthropy, amplifying community leadership, and integrating program strategy."[xii]

In addition to program integration, a gathering of collaboratively-minded charitable leaders represents an avenue for ***strategic synergy and collaboration*** through promoting impact and amplifying community leadership. A sectoral leaders' group could be used as a forum, for example, for participating organizations to identify service areas in which they share services or programs and in which a coordinated approach makes sense. Such activities have the potential to provide a forum to address public concerns about service fragmentation, duplication of service delivery and lack of sectoral capacity.

Conditions for success

Nonprofits must better understand their current state and the full range of options available to them in order to decide what and how to proceed with sharing services and/or wider collaboration. As the consultants at LaPiana Associates frame this process, it's a matter of being clear on "*what we have*,"and "*what we want*," in order to map a successful journey from the former to the latter. Their proposed assessment tool below provides concrete examples of things that partnering organizations had on their lists:[xiii]

SERVICE AREA	WHAT WE HAVE	WHAT WE WANT
Human Resources	Integrated HR, payroll software In-house training program	A stronger employee/volunteer recruitment and screening system
Finance	Accounting package Experience in controlling and managing diverse sources of revenue	Better management of contracts Fundraising/accounting integration Software updates Strategic financial planning
Information Technology	Great website Experienced IT director	Intranet for Board and staff Better systems coordination and maintenance Integrated client tracking software
Office Management/Other	Fund development staff Adequate facilities	Improved facility with parking Marketing/staff support Automated purchasing process

TABLE 3: EXAMPLES OF PARTNERSHIP ASSESSMENT (COY & YOSHIDA, 2006)

In their February 2011 paper, ***Seeking Shared Success: Business Model Innovation through Mergers, Affiliations, and Alliances***, Rebecca Graves and Holly Marston lay out a series of key questions they recommend be considered by any organizations considering shared services of any kind. Table 4 presents their list.[xiv]

TABLE 4: KEY QUESTIONS FOR CONSIDERATION (GRAVES & MARSTON, 2011)

KEY QUESTIONS

Impetus	• Why are we considering a change to our operating model? • Is a structural change the best path for us? Have we considered other options? • What is the central issue we would like a new structure to solve? Why is now the right time for us to consider a change?
Vision	• What are key considerations – such as the identity, strategy, or leadership of the foundation – that might direct us toward a specific kind of structure? • How must a structural change help to reflect our mission, core values, goals and strategies? • What would a successful structure look like? What is our ideal time frame for negotiating a new structure?
Getting Specific	• What are our non-negotiables? • What types of assurances would we need to consider a new structure? What level of financial resources and staff time are we willing to invest in due diligence and integration processes? Do we have these resources available to us now, and if not, how do we go about ensuring we do?
Benefit/ Risk Equation	• What are the key opportunities and risks at the operational, organizational, and stakeholder levels? ○ How would our community, grantees, donors, and employees benefit from a new structure? ○ What are the risks presented by a new structure for these stakeholders? ○ How would our foundation benefit from the unique circumstances and expertise of another community foundation—for example, gaining community knowledge and expertise, increasing the potential donor base, addressing a leadership need, building up assets, or developing more sophisticated infrastructure? ○ What could we imagine would prevent us from moving forward with a new structural arrangement—whether a new alliance, affiliation, or merger?

While we lack empirical evidence beyond our own work, we do believe that the following factors may be also be relevant for other nonprofits considering collaboration:

- *Identity* is key for many organizations. It is often seen as fundamental to donor and community support;

- *Stakeholder relationships - especially donor relationships* are non-negotiable – fundraising is based on relationships, and successful philanthropic efforts necessarily require continuous, personal and detailed attention to cultivating and stewarding the relationships in which gifts are grounded;
- There is an emerging perception that more traditional organizational models are less relevant and less capable of sustaining our organizations in the longer term;
- There is *little or no surplus capacity* available within most nonprofits at present, leading to questions about the demand for resources that may be required to invest in the due diligence and integration processes associated with shared services or collaborations; and
- There is a *desire to model organizational best practices* and in this spirit, there is openness to considering a wide range of options. While more emphasis has been placed on cost savings rather than revenue enhancement, there is openness to considering some fundamental changes, although there is not a universally shared understanding of why this should be considered and the challenges such changes are intended to resolve.

The literature review we conducted has provided a theoretical framework for understanding collaborative approaches and structures, as well as a deeper appreciation of some of the key factors for success in pursuing any collaborative options or new ways of looking at how organizations work together. These success factors include:[xv]

- *Trust and honesty*, including attention to relationships and interpersonal factors;
- *Shared clarity* regarding anticipated outcomes: A common understanding and agreement on the problem to be solved by the collaboration and on the desired direction to address the problem, shared among relevant stakeholders;
- *Legitimacy* of the collaboration in the community: Stakeholders' recognition of the longer term benefits to be achieved;
- Partners' *capacity* to engage in collaboration, including capability, time and resources;
- Impact of *past experience* (both positive or negative);
- *Readiness* for detecting and addressing environmental and organizational changes that may impact the success of the collaborative effort;
- Creation of a *governance (or decision- making) structure* with clear roles, responsibilities and accountabilities;
- *Communication*, communication, communication: Commitment to a clearly articulated change process whereby those impacted are informed and mobilized to commit to the joint process;

- *Awareness of the many differences* amongst the parties to the collaboration and how they may affect its unfolding and shape ("one size does not fit all");
- Having a pre-defined *mechanism for dispute resolution* and an agreement on the need to find collaborative solutions to collaboration problems; and
- Agreement on a *measurement* framework and *monitoring* process to assess progress and challenges and course-correct.

A 2011 report from a US survey of business model innovations across the community foundation sector cites important lessons supported by extensive research findings. The key message is that savings are unlikely to be achieved and collaboration should not be pursued (as is often the case in the private sector) as a means to reduce overhead: "The guiding principle for collaboration should be 'more for the same', not 'the same for less.' Collaboration can make existing organizations more efficient and effective, and can deliver better programs and services that benefit clients, through shared resources. … **Collaboration should be seen as a means to improve effectiveness and efficiency starting, at a minimum, with existing resources** [emphasis ours]. To be blunt, collaboration cannot be seen as a code word for "cost-cutting."[xvi]

In a related comment, the report notes that collaboration is rarely "free" – in fact, it requires appropriate expertise, structure and must be properly resourced, including the allocation of adequate staff time.[xvii] Unfortunately, the lean nature of the organizational infrastructure in the nonprofit sector can make this challenging.

Second, those with experience recommend "extra due diligence" going into any sharing arrangement, and this advice was echoed in a report by the Wellesley Institute. The Wellesley report found evidence that **successful collaborations require considerable "up front" work and investment** so that initiatives proceed "with a shared vision, clear goals and objectives, and highly-defined impact mandates by all partners."[xviii]

Third, business model innovations are **increasingly necessary for organizations to thrive** in the current environment. Organizations need to look at new models in order to be able to grow, govern, attract talent, support the necessary infrastructure and be of sufficient scale to have meaningful impact.

To summarize, the general *benefits* you can expect from working differently together may include:

- The ability to gain *access to (or train) expertise* and talent that none could afford alone;
- *Improvement to the quality of service* to donors and other key customers; and
- Possible cost savings and/or increased revenue potential that either, singly or in combination, result in *greater net revenue* for the organization and its programs.

- The *challenges* you can expect to encounter will likely include:
- The *lack of resources or capacity* to invest in change;
- A *lack of understanding* of new structural options;
- The need to maintain *local focus and identity*;
- *Potential conflicts* of personality or organizational culture;
- A *mismatch in missions*; and
- The inability to get past *non-negotiable* considerations.[xix]

The conversations we had with organizations that have travelled the collaboration road provided a number of specific and instructive insights:

- The nonprofit field struggles with back office services. The technology tends to be limited by a small number of service providers with a very intensive (i.e., customer focused) business model that requires constant vigilance and support from a service perspective. Third parties are not always able to provide the level of service quality and personalization provided by existing staff;
- Issues of organizational culture are seen as less of a challenge as compared to differences in organizational lifecycle, which are articulated as a more predominant challenge;
- Spending time doing due diligence and ensuring that there is a process in place for resolving issues and problems well before they arise is seen as crucial to success;
- Opportunities for cost savings may be minimal and in a few cases costs may increase, at least in the short term, in order to maintain service quality, depending on the organizational and business models in place;
- The most difficult challenge frequently cited is working with key players in the organization – the Board, staff, and the organization's "community" – to see the benefits and long-term sustainability, rather than seeing shared services and/or collaboration as a threat or loss of control. This process can be difficult and painful for some organizations;
- There may be benefits or consequences – both tangible and intangible – that were unexpected or unanticipated; and
- Boards of Directors, most of whom are business people, may be quicker to accept or adopt the new business model. It may be more challenging for staff to embrace a new way of working together. Those who have traveled this road counsel the need to be engaged with all staff so that they understand how the collaboration will work, how it

will impact what they do, and ensure, to the greatest degree possible, their support early on.

The **essential first step** for any set of potential collaborators or partners is to agree that there is an urgent and *common motivation* driving their desire to pursue new ways of working together.

Then, consensus is vital: they must be able to clearly articulate a *common vision* that serves as the touchstone and foundation for collaboration. Also crucial is a shared understanding of what is non-negotiable as they invest in new ways of doing business, regardless of the details of these investments.

Only if all those fundamental, foundational pieces are in place should the organizations move forward as a collective to pursue one or more of the possible routes forward.

Is collaboration or partnership for you?

The question of whether or not to share services or pursue collaboration is a unique challenge for every organization. Our research showed that there are many strategic reasons to pursue peer partnerships, yet most of them are longer term and will be realized only with the investment of considerable time and human resources. Not only can those additional costs be reasonably expected, short-term financial savings are almost certainly unlikely to be achieved. With those caveats in mind, we encourage Canadian nonprofits to reflect on the relevance of these lessons for their organizations' future. We anticipate that you will find that, as with all important endeavours, leadership and perseverance will be the deciding factors in your shared success.

References

[i] Rebecca Graves and Hollie Marston, *Seeking Shared Success: Business Model Innovation through Mergers, Affiliations and Alliances. Stories and insights from across the community foundation field,* Council on Foundations Community Foundations Leadership Team, February 2011
http://www.fsg.org/Portals/0/Uploads/Documents/PDF/Seeking_Shared_Success.pdf?cpgn=WP%20DL%20-%20Seeking%20Shared%20Success

[ii] Bill Coy and Vance Yoshida, *Administrative Collaborations Consolidations, and MSOs*, LaPiana Associates Inc., 2006, accessed from http://www.lapiana.org/downloads/Admin_Partnerships_briefing_paper.pdf

[iii] Ibid, page 1

[iv] Adapted from Coy & Yoshida and Graves & Marston (above)

[v] Coy & Yoshida, page 2.

[vi] J. Richard Blickstead, Eleanor Lester, and Michael Shapcott, *Collaboration in the Third Sector: From co-opetition to impact driven cooperation,* The Wellesley Institute, Toronto, Ontario, 2008 page 3, citing Corbett & Noyes, 2008 (see below), accessed from http://wellesleyinstitute.com/files/collaborationinthethirdsector.pdf

[vii] Thomas Corbett and Jennifer L. Noyes, *Human Services System Integration: A Conceptual Framework,* 2008, pp. 7-8, Paper presented at the Annual Meeting of the Association for Public Policy Analysis and Management, Washington DC, November 2007, accessed from http://www.irp.wisc.edu/publications/dps/pdfs/dp133308.pdf

[viii] Coy & Yoshida, page 2

[ix] Andrea Bufka, *Back-Office Collaboration for Non-profits: An Overview of the Upper Valley*, Prepared for the New Hampshire Charitable Foundation, Upper Valley Region Office, March 23, 2009, pp 2-3

[x] Ibid, page 3

[xi] Thomas Southard Hay, Lead Consultant, *"The Feasibility and Options for Consolidation of Back Office Operations" Project Report*, June 30, 2009, Council on Foundations Community Foundations Leadership Team, accessed from https://www.chestercap.com/file/SPCFG%20Report_090701%20intro.pdf

[xii] Graves & Marston

[xiii] Coy & Yoshida, page 4

[xiv] Adapted from Graves & Marston, page 7

[xv] Adapted from Graves & Marston, pages 17, 29, 30

[xvi] Ibid, page 8

[xvii] Ibid, page 23

[xviii] Blickstead, Lester & Shapcott, page 9

[xix] Graves & Marston