

Mergers aren't Everything: The Partnership Toolbox

Initiative Foundation Webinar
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Project ReDesign
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MAP for Nonprofits

A 30-year-old nonprofit organization founded by Twin Cities area corporations and community leaders to unleash the power of nonprofit organizations through effective management.

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Project ReDesign

- Supporting nonprofit organizations in the exploration and implementation of mergers, program transfers, joint ventures, or parent-subsidiary relationships
- Funded through client fees, foundation support, and the Greater Twin Cities United Way
- Service began in 2007

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Our Objectives Today

- Learn about the different forms of realignment and partnership
- Learn about the board's role in strategic realignment
- Learn about benefits, challenges and best practices

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The Need

Funding cutbacks from all sources are increasing:

- operational costs
- demand for services
- competition for charitable dollars
- demand for accountability



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The Opportunity

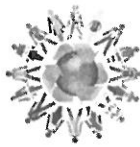
Nonprofits are beginning to view mergers and other forms of realignment as strategic decisions to expand programmatic or geographic scope, while strengthening their competitive position.



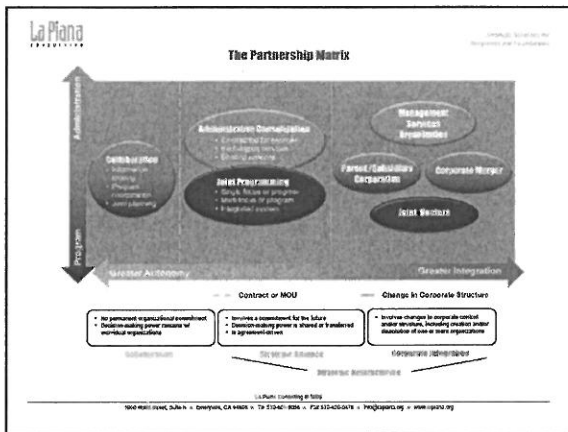
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Potential Benefits

- Improve service sustainability
- Use funding more effectively
- Increase stability and capacity
- Acquire expertise
- Back room and front room efficiencies
- Staff retention and morale
- Community visibility and fundraising



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The Means, Not the End

- Each type of partnership requires a different level of integration
- Need to be flexible as how best to meet mission and achieve strategic goals
- Partnership goal is twofold: Strengthen and sustain services



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Establishing and “framing” the philosophy of a partnership



- Everyone has something to learn.
- Take the best of both agencies and make and even better one.
- No one HAS to do this, it’s a mutual choice.
- Power and leadership will be shared
- Change has to be handled well by the execs, or staff won’t handle it well either.

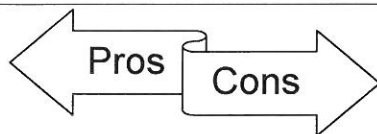
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Making the Case

- Creating a shared vision
- Trusting relationships between executives and boards is critical to success

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Non Merger Options



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Program Transfer: One organization spins off or transfers administration of one or more of its programs to another organization.

Pros:

- Limited or no impact on clients
- Limited or no loss of jobs
- Limited or no PR hit to agency

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Program Transfer: One organization spins off or transfers administration of one or more of its programs to another organization cont...

Cons:

- Often sense of loss and "failure" despite situation beyond mgmt. control
- Management styles may differ. Staff have to deal with uncertainty and new culture.
- Salary and benefits may change

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Collaborations: shared space and/or shared services

Pros:

- | | |
|---|---|
| • Expands the capacity of both agencies | • Pool of mgmt. talent expands |
| • Share responsibility for success and failure | • Opens the door to further collaborations and efficiencies |
| • Impacts resources of BOTH agencies positively | |

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Collaborations: shared space and/or shared services cont...

Cons:

- Relationships take time to develop and must be sustained
- Putting expectations in writing requires considerable thought
- Mgmt. of a shared service requires commitment to a shared vision
- Employees of a service may feel like orphans if they don't see mission(s) alignment

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Parent/Subsidiary: The identity of the original organization remains intact while acquiring a parent organization with governance control

Pros:

- Client services and employee jobs are minimally impacted
- Subsidiary can retain its identity and brand
- Subsidiary often has access to greater infrastructure support, training opportunities, job mobility and financial resources

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Parent/Subsidiary: The identity of the original organization remains intact while acquiring a parent organization with governance control cont...

Cons:

- Board governance and leadership positions can be an issue
- Comprehensive communication plan is required
- Full integration takes 2-3 years
- Culture differences are common

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Joint Venture Corporation: An integration that includes the creation of a new organization. Partner organizations share governance of the new organization.

Pros:

- Financial efficiency
- More narrowly focused mission
- Brings together the "best" of both orgs in delivering a product or service
- Access to more support, esp. in the start-up phase

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Joint Venture Corporation: An integration that includes the creation of a new organization. Partner organizations share governance of the new organization. Cont...

Cons:

- Both orgs need to bring something equivalent to the table
- Strong commitment and vision from execs
- Time consuming
- Governance and leadership issues need to be addressed early
- The "case for the joint venture must be strong enough to justify the time and expense involved in its creation"

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MSO- Management Service Organization

Pros:

- Sharing a resource is usually cheaper and more efficient than "building" your own
- Access to a higher level of expertise and more up to date knowledge
- Conserve your managerial time by reducing the need to "manage" these resources on a day to day basis

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MSO- Management Service Organization cont...

Cons:

- Founders must be committed and have a common vision
- Must be a "critical mass" of orgs willing to participate and do the work
- Governance and leadership are critical issues to be resolved early
- Barriers to exit

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Pitfalls, Potholes and Bumps

- No clear understanding of your agency's needs
- Selecting the wrong partner
- Underestimating cultural differences
- Assuming everything worth knowing is known
- Insufficient attention to a communication strategy
- Giving answers you don't have
- Reassuring staff around change
- Allowing staff to become distracted
- Losing momentum

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Best Practices

- Focus on mission and the best interest of those we serve.
- Create a clear vision of the collaboration.
- Involve people who will be affected in the process.
- Strong staff and community leadership is a must.



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Best Practices cont...

- Create organizational accountabilities and intended outcomes checklist
- Deal with key issues early and directly
- Involve outside consultants who have experience in nonprofit realignment
- Develop a communications plan

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Thank You!



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