



Stronger Together:

EXPLORING THE PURPOSES & TYPES OF
NONPROFIT STRATEGIC ALLIANCES

We help leaders make better decisions. | [FIOPARTNERS.COM](https://fiopartners.com)

WELCOME!



**HARTFORD FOUNDATION
FOR PUBLIC GIVING**
Our gracious host!



ANNE YURASEK
Principal



MELISSA HARRIS
Director of Service
Development



**Introduce yourself
to your tablemates!**
Name, Org, Location

WELCOME!



Fio Partners, LLC

*We help leaders
make better decisions.*

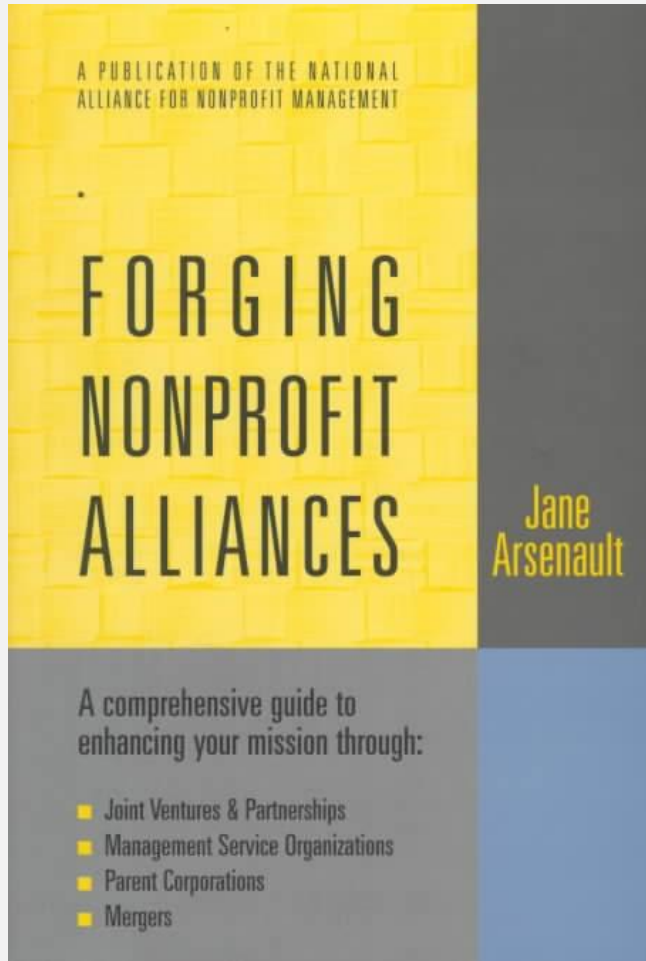
We work exclusively with:

- Nonprofits
- Foundations
- Collaboratives
- Government Agencies
- And their Boards

Our services include:

- Strategic Planning
- Strategic Alliances
- Leadership Advisory
- Executive Search
- Succession Planning
- Research & Evaluation
- Training (Staff & Board)

Why Fio?



Fio Partners has supported the creation of strategic alliances ranging from coordination to collaboration to consolidation:

- Community impact coalitions
- Formal program collaborations
- Joint ventures or partnerships
- Management service organizations (MSOs) for cost savings and sharing back-office functions
- Service networks that share state contracts
- Parent corporations linking individual nonprofits capable of pursuing market opportunities jointly
- Mergers or acquisitions



Learning Objectives

Today, will help you:

1. Take stock of your organization's internal and external conditions
2. Link strategic alliances to your organizational strategy and intended impact
3. Understand the range of structural options available to match form to purpose
4. Engage in productive, positive negotiations with partner organizations
5. Access a toolbox of assessments and guides to support your decision-making and process



Agenda

Morning

9:00am – 12:00pm

- Taking Stock
- Assessing Your Contexts
- Starting the Search

Lunch

12:00 – 12:30pm

Afternoon

12:30 – 3:30pm

- Structure for the Work
- The Art & Process of Negotiation
- Implementing the Vision

Please take breaks as you need them!



Acknowledging the Current Environment

- Substantive federal funding and policy uncertainties
- Mass layoffs and potential sector contraction
- Post-COVID workforce challenges
- Increase in leadership transitions
- End of ARPA funds re-exposing weak business models
- Declines in individual giving to the sector as a whole
- Continued high demand for services across communities
- Increased need for scenario planning
- Sector-wide shift toward a network mindset that prioritizes community impact



PAIR & SHARE:

What are your organization's
top 3 challenges and
opportunities?

(10 minutes)

Taking Stock

GET CLEAR BEFORE YOU GET GOING.

Lead with clarity and proceed with purpose.



Acknowledge
Your
Experiences



Build Internal
Clarity



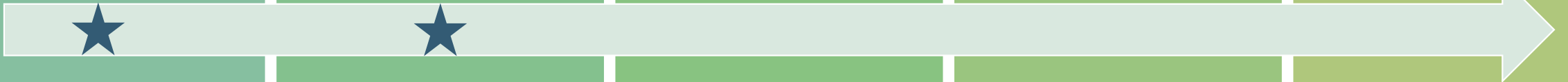
Assess
Relationships

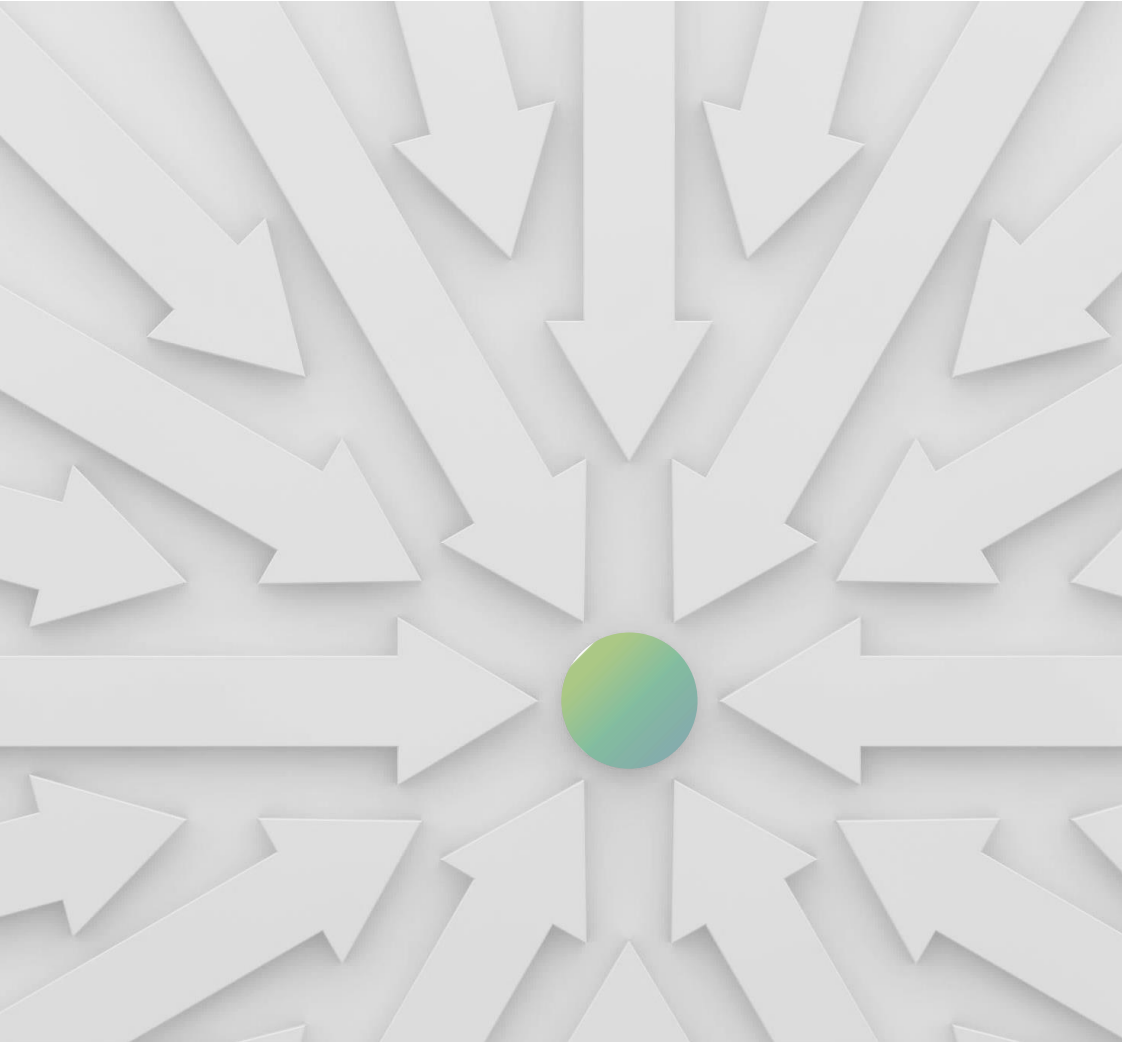


Envision
Shared Work



Select &
Implement
Structure





The journey begins with you.

- What experiences have you had partnering with other organizations?
- What do you view as the qualities and behaviors of a good partner?
- Are there experiences or circumstances that have made you hesitant to partner?
- What emotions come up for you as a leader when you hear terms like partnership or merger?



MINDFUL MOMENT:

What are your experiences with collaboration? How does that influence your attitudes about it?

The journey begins with you.

- What experiences have you had partnering with other organizations?
- What do you view as the qualities and behaviors of a good partner?
- Are there experiences or circumstances that have made you hesitant to partner?
- What emotions come up for you as a leader when you hear terms like partnership or merger?



Network Leader Mindset

(Jane Wei-Skillern)

Four counterintuitive principles that are essential to effective collaboration:

1. **Mission, not organization**

Leaders adopt strategies and tactics to achieve the mission, not necessarily to stimulate organizational growth.

2. **Trust, not control**

Shared values are more important than formal control.

3. **Humility, not brand**

Organizations work alongside their peers as equals and take a backseat when their partners are better positioned to lead.

4. **Node, not hub**

Organizations are seen as one part of a larger web of activity directed toward a cause, not as the hub of the action.

What are strategic alliances?



Increasing control over the activities taking place
Decreasing autonomy

Don't worry about the form of partnership yet!



PURPOSE
defines
STRUCTURE

and

STRUCTURE
drives
BEHAVIOR





Make the
conversation
about your
organization's
why.

Taking stock
of your current
situation and
clarifying your
why requires
understanding:



What is your organization's current context and desired future?



EXTERNAL

- Environmental Context
- Market Position
- Relationships



INTERNAL

- Financial Position
- Program Capacity
- Administrative Systems/Capacity



DIRECTION

- Desired Impact
- Future Strategy
- Leadership (transition?)

Assessing Your Organizational Health and Context

MONEY, WORK, ENVIRONMENT, & RELATIONSHIPS

Assess Your Financial and Market Position

FINANCIAL POSITION*	MARKET POSITION	
<ul style="list-style-type: none">• Overall stability of total revenue and net assets• Sufficient cash flow and liquidity• Overhead expenses appropriate to revenue• Major program revenue stability <p><i>*Use tool on workbook page 3.</i></p>	Program Position	Extent & Cost of Competition
	<ul style="list-style-type: none">• Program demand• Competent delivery• Quality and accountability• Customer loyalty and choice	<ul style="list-style-type: none">• # of viable alternatives• Availability of resources for competition

Turn to page 4 of your workbook...

Strong Market Position

Strong Financial Viability

Strong Market Position

Broad Strategy to Consider:

INCREASE MARKET SHARE

Emphasis on expansion strategies and aggressive marketing.

Consider whether a strategic alliance could help:

- Expand your service network or area
- Increase your capacity and market share through a merger or acquisition.

Financial Turbulence

Strong Market Position

Broad Strategy to Consider:

STRIVE FOR STABILITY

Emphasis on program adaptation and appeals to loyal stakeholders.

Consider whether a strategic alliance could help:

- Protect your market share
- Improve your program utilization
- Create efficiencies or cost savings
- Open doors to larger grants or contracts.

Low Financial Viability

Strong Market Position

Broad Strategy to Consider:

CONTAIN COSTS

Emphasis on adaptation and retrenchment strategies to protect vulnerable programs.

Consider whether a strategic alliance could help:

- Create efficiencies or cost savings
- Open doors to larger grants or contracts
- Responsibly transfer unsustainable efforts.

Moderate Market Position

Strong Financial Viability

Moderate Market Position

Broad Strategy to Consider:

FOCUS ON QUALITY

Emphasis on deciding whether to improve or divest of mediocre programs that others can provide.

Consider whether a strategic alliance could help:

- Define your niche in the market
- Add new capacities to improve program reach, delivery, and quality.
- Provide your consumers with access to quality services that are valuable but not aligned with your mission or competencies.

Financial Turbulence

Moderate Market Position

Broad Strategy to Consider:

FOCUS ON SUSTAINABILITY

Emphasis on deciding to adapt, retrench, or divest depending on sustainability and market options.

Consider whether a strategic alliance could help:

- Attract new funding opportunities
- Create efficiencies or cost savings
- Enhance your capacity, reach, and quality
- Responsibly transfer unsustainable efforts while maintaining access to quality services for your consumers.

Low Financial Viability

Moderate Market Position

Broad Strategy to Consider:

RETRENCH

Emphasis on protecting the organization by mitigating or letting go of currently unsustainable programs.

Consider whether a strategic alliance could help:

- Improve sustainability
- Enhance your capacity, reach, and quality
- Ensure access to quality services for consumers and responsibly divest of unsustainable efforts.

Weak Market Position

Strong Financial Viability

Weak Market Position

Broad Strategy to Consider:

SEEK A PARTNER

Emphasis on protecting the agency's reputation and sustainability by aggressively seeking a partner to improve or divest of weak programs.

Financial Turbulence

Weak Market Position

Broad Strategy to Consider:

CONSIDER AN EXIT STRATEGY

Retrench and responsibly divest of weak and unsustainable programs.

Seek a partner to support exit strategy and continue programs or services, if applicable.

Low Financial Viability

Weak Market Position

Broad Strategy to Consider:

EXIT THE MARKET

Responsibly but quickly close weak and unsustainable programs.

Seek a partner to support exit strategy and continue key programs or services, if applicable.

Assessing Your Environment:

Outside In Thinking

(Workbook pages 6-8)

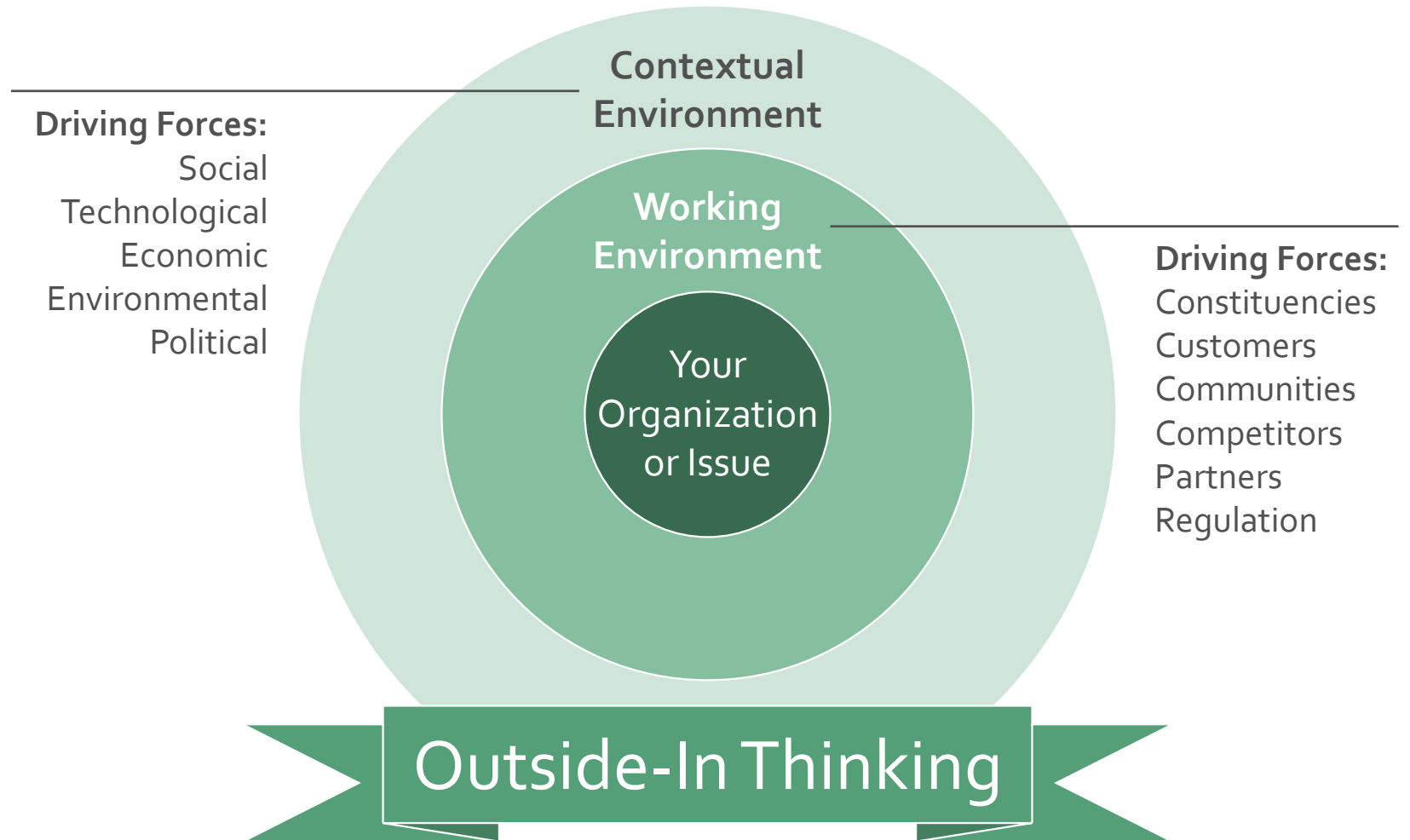


Figure 1. A Framework for Outside-In Thinking (GBN, 2004, p. 13)

Assessing Your Environment:

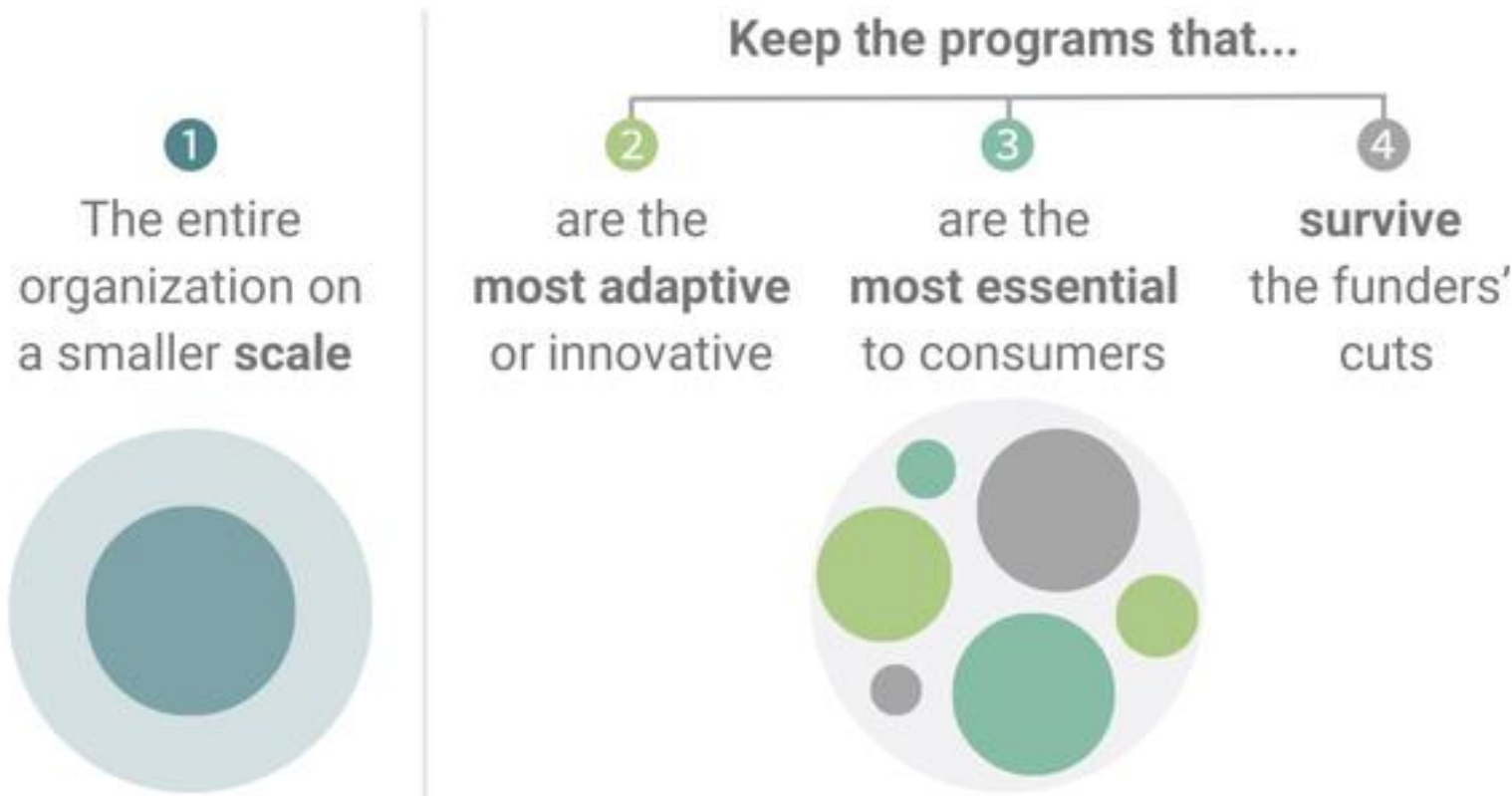
Outside In Thinking

- Examine your current business model.
 - What forces help or hinder your ability to enact your mission and sustain the organization?
- Name the change or risk.
 - What external conditions/changes will either drive or create resistance to your mission and sustainability? To what extent?
 - What do you need to know more about? Stop and learn if needed.
- Focus on ambiguities.
 - Which changes are known? Uncertain? Are there stabilizing forces? Destabilizing ones?
 - *If the impending change is known and certain, plan and act now!*
Develop scenario plans to prepare for the unknown.

Turn to page 7 of your workbook...

What does “retrench” mean and look like?

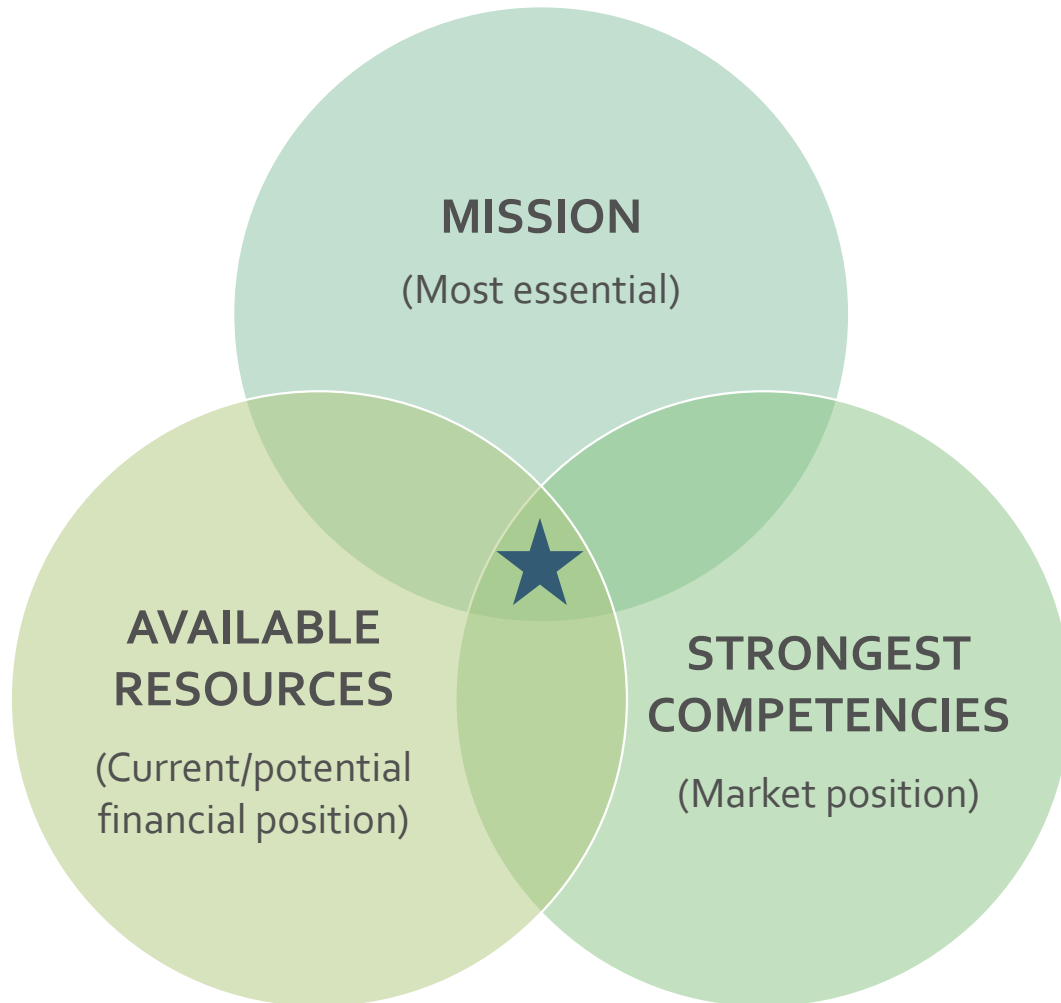
4 Ways You Might Shrink and Re-organize:



Identifying your core will help:

- Determine which issues are worth fighting for or most central to your mission
- Highlight your unique offerings (differentiation)
- Identify staff competencies to protect and emphasize
- Brainstorm program consolidation, combination, and re-invention ideas
- Identify the resources needed to support the core.

Identifying Your Core



- What is your organization best at?
- What is most essential to fulfilling its mission?
- What could change?
- What can it let go of?

Your new core programming should sit at the intersection of your mission, your strongest competencies, and available resources.



Gut Check: Assess, then Pair & Share

(20 minutes)

Use Workbook Page 9 to “Gut-Check” Assess Your:

- Financial Position
 - Current financial health
 - Risk to major current funding sources
- Market Position
 - Program Position
 - Extent & Cost of Competition
- External Environment
 - Level of disruption in your working environment
 - Level of risk to services created by disruption
- Core Work
 - What are you best at?
 - What work is most essential to fulfilling your mission?

Taking Stock

GET CLEAR BEFORE YOU GET GOING.

Would your organization **deliver on its mission** more efficiently or effectively alone or in partnership with others?



What's your why?

Strengthen Programs:

Adding competencies
and/or services

Protect Programs:

When the survival of all or
part of the entity is in doubt

Sunset Responsibly:

Ensure clients can access
services through another
local provider

Expand Impact:

Opportunity to grow market
share or geography

Strengthen Infrastructure:

Support strengthening
management capacity

Building New Entities and Approaches:

Innovative combinations of
programs and services

Expand Funding:

Attract additional resources
to accomplish desirable goal



What's your
why?

- How might an alliance help the organization protect, strengthen, or amplify its impact?
- What are the internal and external vulnerabilities that could be addressed?
- What are the potential risks? What are we most concerned about?
- What do we need to assess or learn more about?

How can you start the conversation productively & responsibly?

- Are you addressing sustainability/capacity issues or market/impact opportunities?
- Ensure participants have the **time to dedicate** to the series of conversations and the **disposition** to develop relationships.
- Determine early-stage roles and responsibilities.
 - Board President, ED/CEO, Senior Management, Negotiating Committee, full Board (approval)



This is an **intentional process** with leaders who are willing to **learn and work together** to envision the organization's future.

Starting the Search

RELATIONSHIPS, VISION, AND ATTITUDE

Lead with clarity and proceed with purpose.



Acknowledge
Your
Experiences



Build Internal
Clarity



Assess
Relationships



Envision
Shared Work



Select &
Implement
Structure





Map your relationships*

- Inventory organizations you already have a relationship with.
- Determine whether there's a potential fit to pursue.
- Consider an RFP if there isn't, and you have a clear case for partnership.

**See workbook page 10 for a simple tool to help you get started.*

Criteria:

What do we need to know about potential partners to assess fit and possibilities?

- Mission & Values
- Program Service Types
- Primary Population(s) Served
- Community Impact
- Geographical Reach
- Operating Budget
- Funding Mix
- # of Employees
- Organizational Infrastructure

Potential Mutual Benefit

- What is the vision for the shared work? How would the people served benefit?
- How might each organization benefit from the partnership?

MINDFUL MOMENT:

- Thinking about your WHY, what partner criteria may be important to your org?
- Thinking about your current collaborators, do you see potential partner alignment?

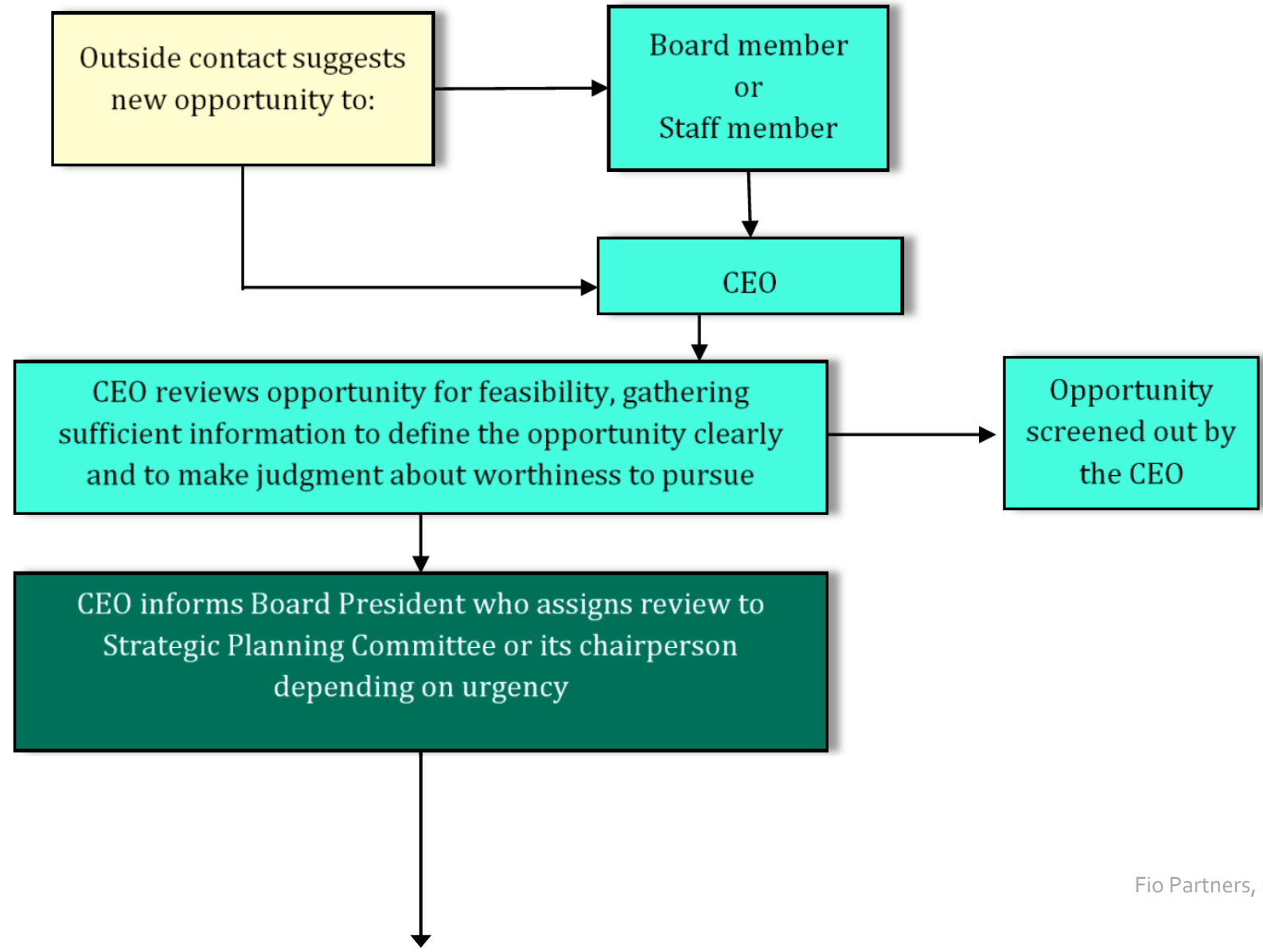


Narrow it down and make the initial outreach

- Develop a short-list of organizations to approach
- Intentionally reach out and cultivate relationships with key leaders to explore possibilities for collaboration/consolidation
- Can be organic, informal to formal requests for partnership

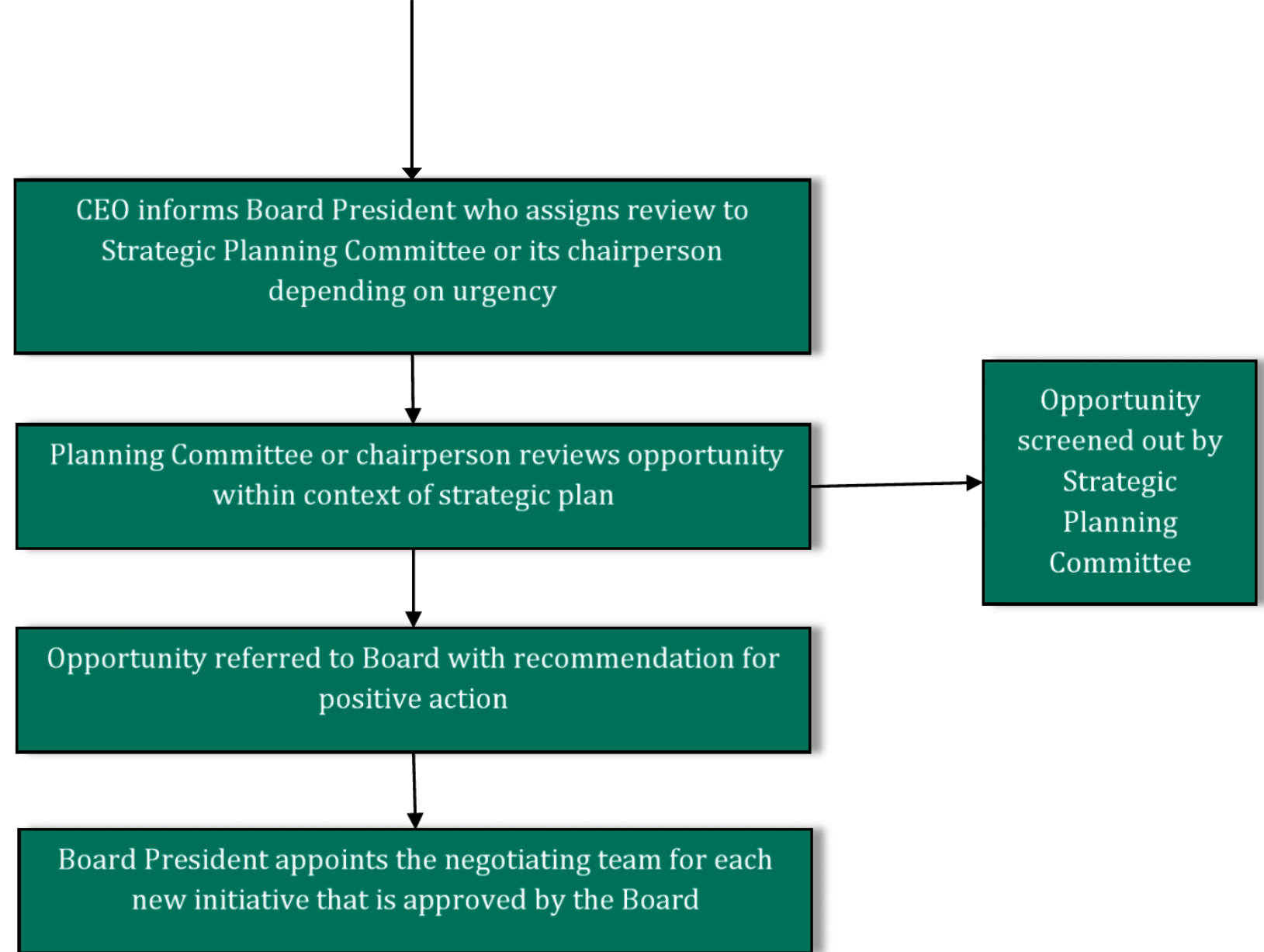
Sample Response Policy:

Set expectations about what will happen and policies to support partner discussions.



**Sample Response
Policy:**

Set expectations
about what will
happen and policies
to support partner
discussions.



Envision the shared work

- Why would you like to work more closely together? What have you learned about your own circumstances that coming together makes sense?
- What is the shared work that you would like to do get together?
- What are your shared values and beliefs about that work?
- What is needed to support the shared work that you like to do?



Questions?

- Map your relationships
- Establish your partner criteria
- Narrow it down and either make the initial outreach or issue an RFP
 - Make sure you have a response policy
- Envision the shared work

As you proceed, remember to get the attitude right.

“As the relationships unfold, the ‘partner’ mentality should operate in all aspects of decision-making, without regard to where each organization sits in the hierarchy of size or finances.”

— Jane Arsenault


A vibrant mural on a brick wall depicts a family engaged in gardening. A woman in a pink shirt and a man in a blue shirt are leaning over a table, looking at a small potted plant. A young boy in a red shirt is also looking at the plant. The mural is surrounded by various flowers and plants, including a large white lily and a small potted plant. The background of the mural shows a green building and a street with parked cars.

LUNCH & DISCUSS (30 minutes)

- Power dynamics between organizations of different sizes
- The value and needs of smaller nonprofits

Exploring Structures

FOR THE WORK



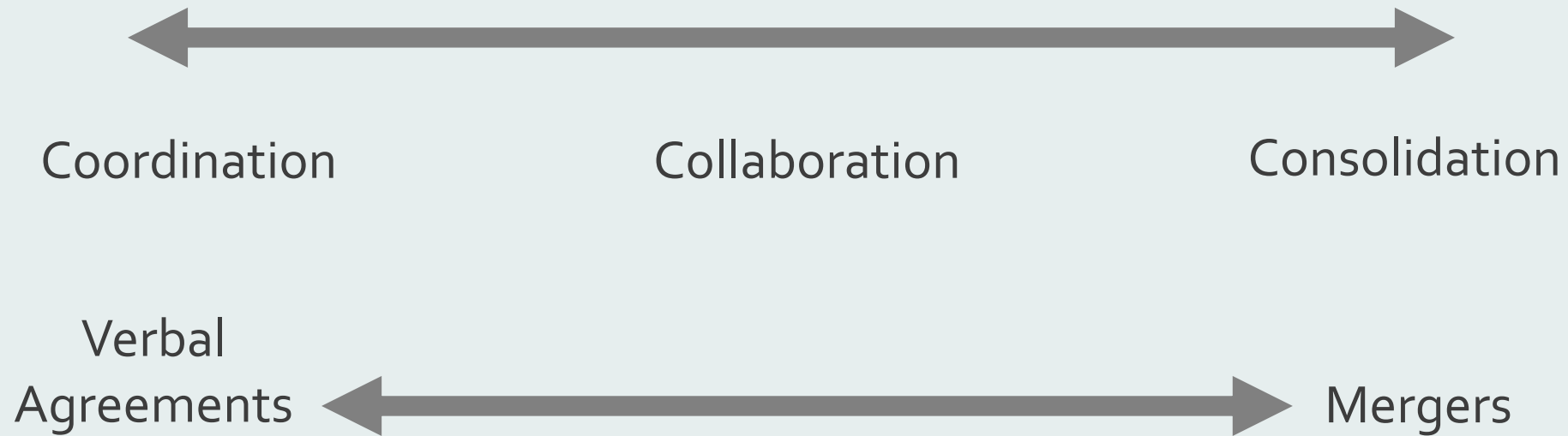
PURPOSE
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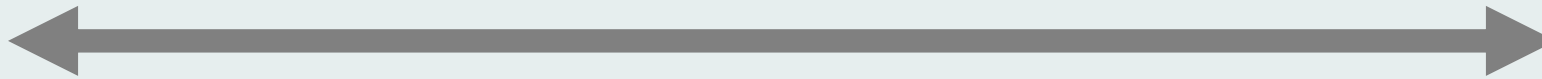


Strategic Alliance Continuum



Increasing control over the activities taking place
Decreasing autonomy

Strategic Alliance Continuum



Coordination

- Involves communication and some sharing of information
- Decision-making is independent. Low risk and low or no investment of resources

Collaboration

- Organizations work together to accomplish a common goal
- Increasing degrees of coordination, investment, and risk

Consolidation

- Involves alterations to the legal links between organizations
- Increasing central authority and reduction in autonomy

Examples of Collaborations

Collaboration Model	Primary Purpose
Policy/Strategy Network	Joint advocacy, information sharing, mutual support
Coalition	Collectively address a community problem or set of problems
Systems of Care	Care coordination to create a broader, more efficient array of services for a region or population



SHARE an example of a successful or unsuccessful collaboration. What behaviors drove its success or lack thereof?

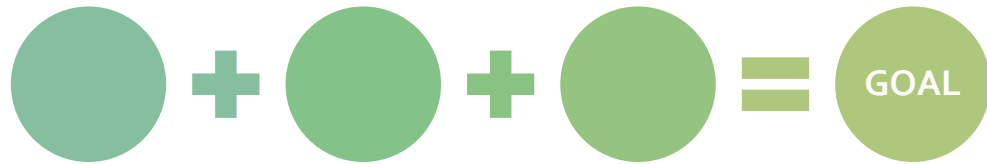


What are we building? The Role of Central Authority

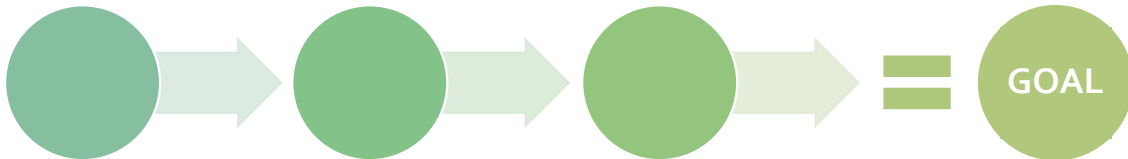
- What are the strategic alliance's objectives?
- Task Integration: What degree of interdependence is needed to achieve the shared objectives?
- Coordination Costs to Complete Tasks
- Knowledge Transfer Among Players

Kinds of Interdependence

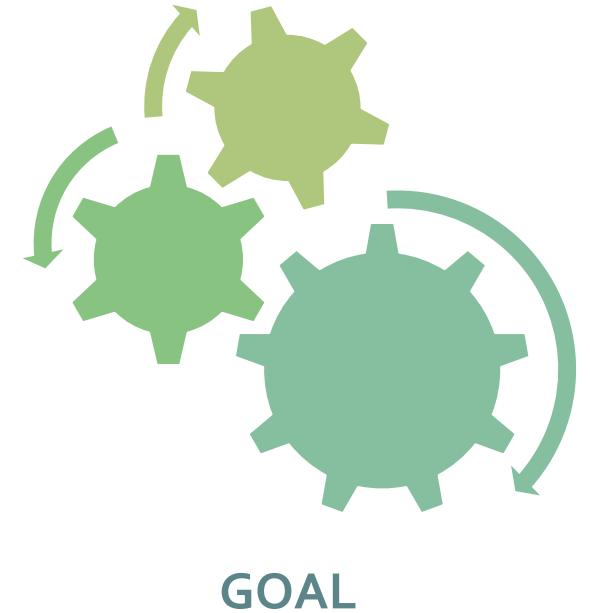
Pooled (Swim Team)



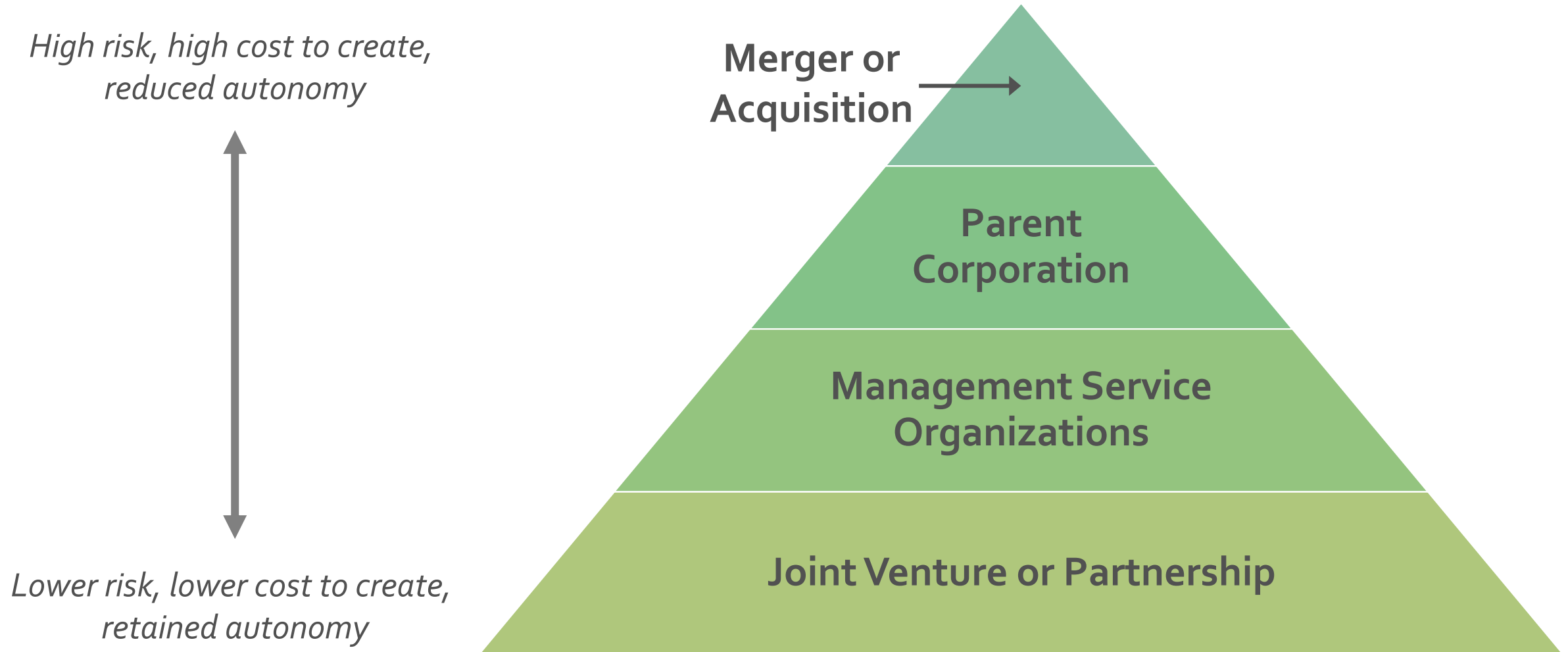
Sequential (Relay Team)



Reciprocal (Basketball Team)

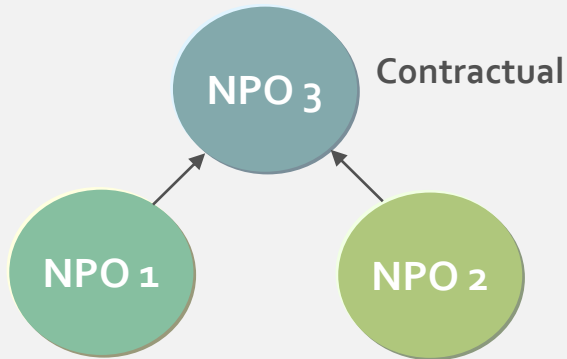


Consolidation Continuum

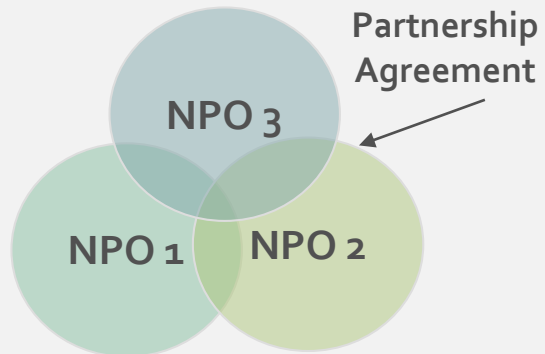


Understanding the Structures

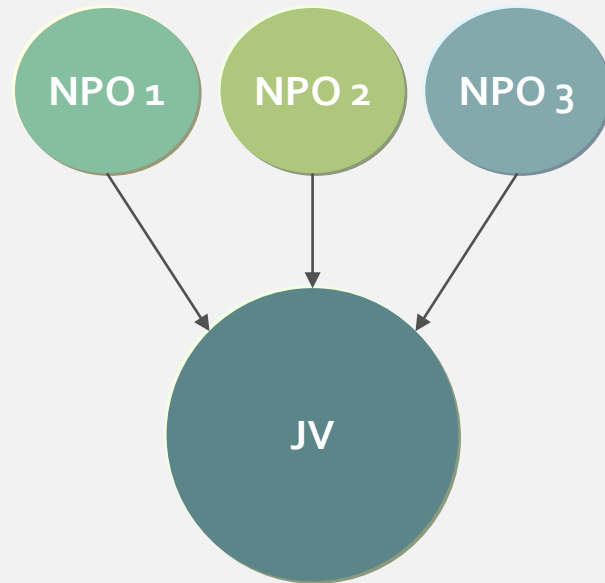
JOINT VENTURE MANAGER



Partnership Agreement



INCORPORATED JOINT VENTURE

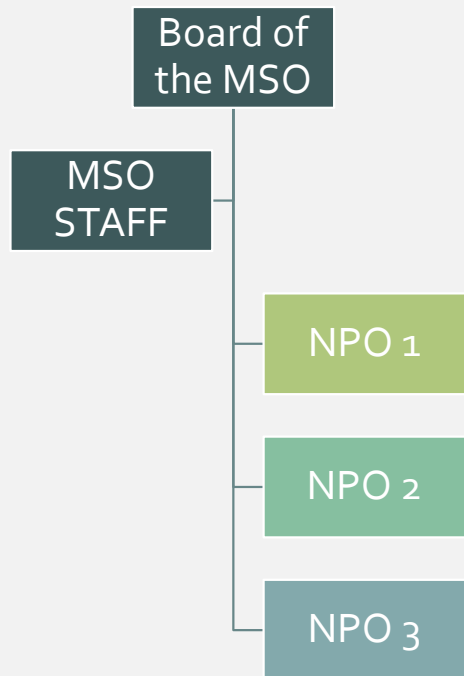


Joint Ventures

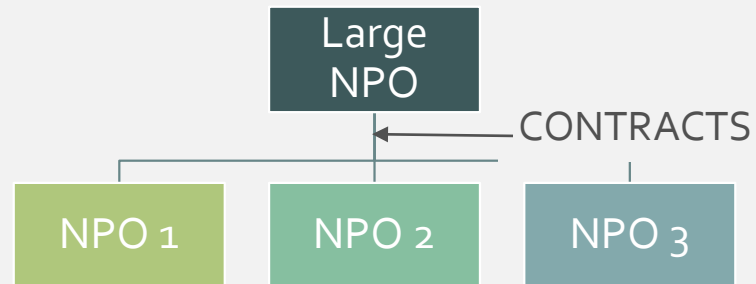
- Knowledge sharing or market access
- New product or program development
- Joint management of otherwise unstable programming
- Creation of referral continuums

Understanding the Structures

EQUAL REPRESENTATION



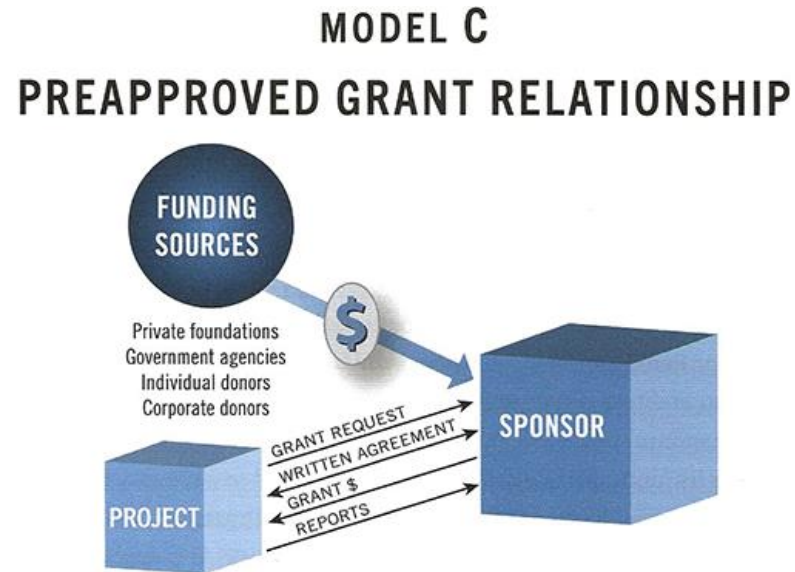
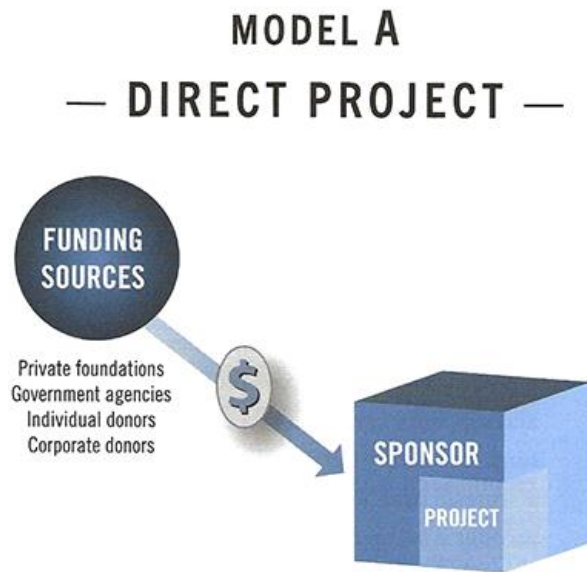
MSO DIVISION



Management Services Orgs

- Consolidate overhead
- Joint contracting & purchasing
- Personnel & facilities mgmt.
- Fiscal services
- Fundraising & marketing
- Info management & QA
- Joint planning

Understanding the Structures



Source: *Fiscal Sponsorship: 6 Ways to Do It Right* by Gregory Colvin & Stephanie Petit

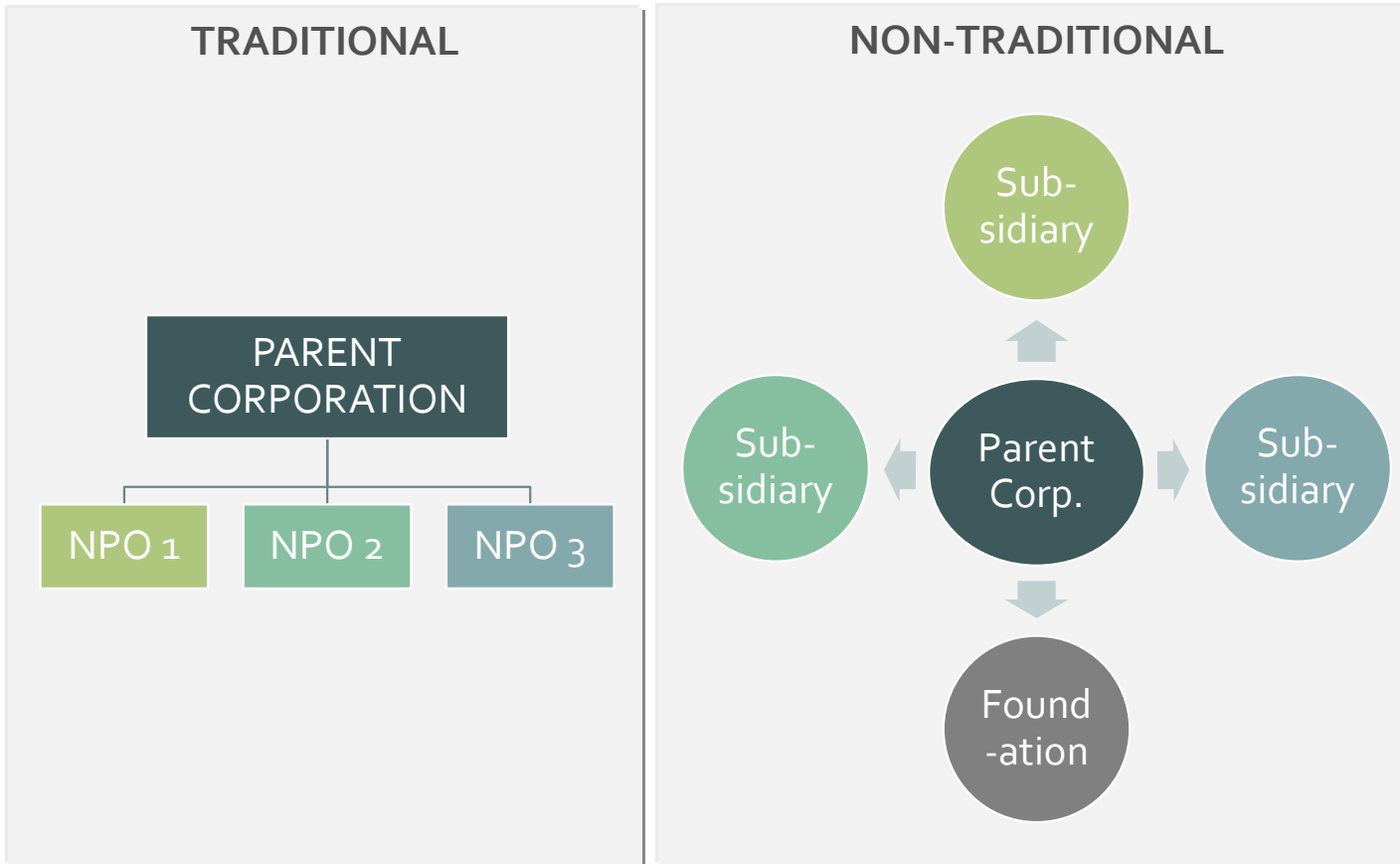
Fiscal Sponsorship

- The sponsor gets an asset that strategically advances its mission

The sponsored project gets:

- A temporary or permanent alternative to 501c3 status
- Ability to apply for grants and offer tax deductions to donors
- Core administrative support and reporting
- Access to capacity-building supports

Understanding the Structures

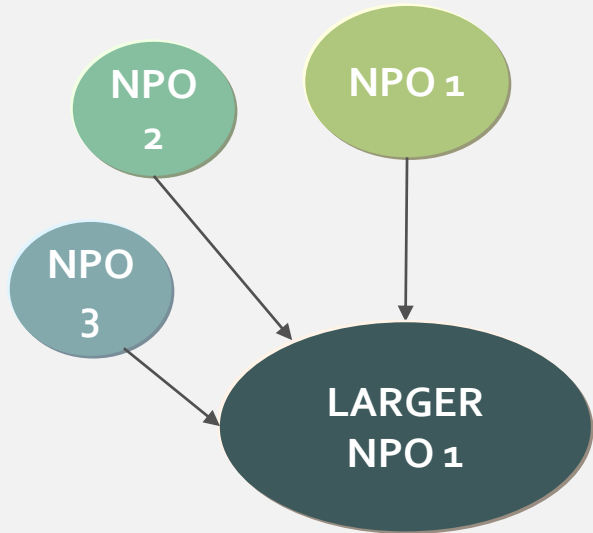


Parent Corporations

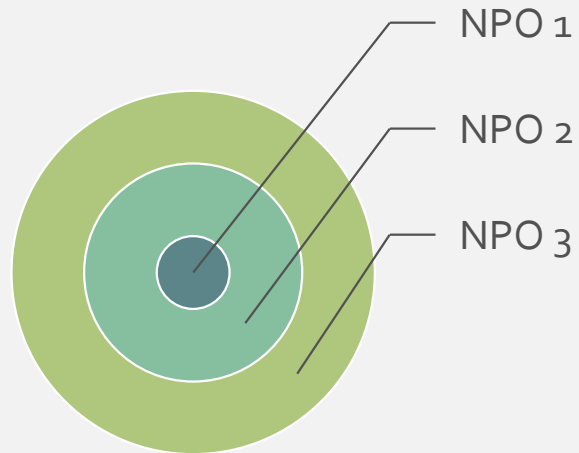
- Phased merger
- Service integration
- Create financial stability for large, related entities
- Creation of subsidiary corporations within one large nonprofit

Understanding the Structures

RESULT IS A LARGER NPO #1



SOMETHING ENTIRELY NEW CREATED



Mergers & Acquisitions

- Revenue diversification
- Economies of scale
- Reducing duplication of effort or competition
- Create multi-disciplinary approaches or continuum of care
- Create something new!

Selecting the Structure



PURPOSE
defines
STRUCTURE

and

STRUCTURE
drives
BEHAVIOR





What is the vision for the shared work?

- What type of work do you want to do together?
- What are your shared values about that work?
- To what degree do the organizations need to control the activities to achieve the strategic alliance's objectives?
- What structure will promote the successful execution of the shared work?

What's your why?

Strengthen Programs:

Adding competencies
and/or services

Protect Programs:

When the survival of all or
part of the entity is in doubt

Sunset Responsibly:

Ensure clients can access
services through another
local provider

Expand Impact:

Opportunity to grow market
share or geography

Strengthen Infrastructure:

Support strengthening
management capacity

Building New Entities and Approaches:

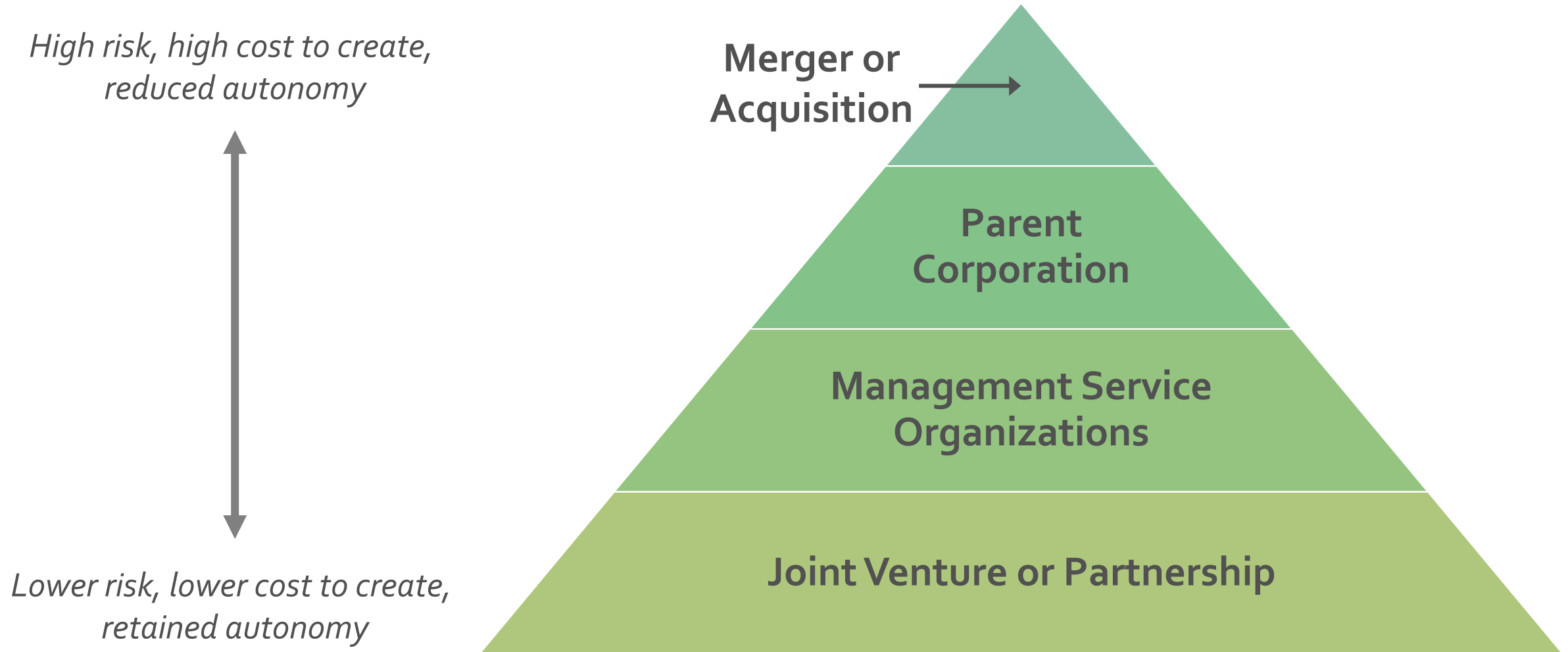
Innovative combinations of
programs and services

Expand Funding:

Attract additional resources
to accomplish desirable goal



Questions? Consolidation Continuum





EXERCISE: Matching Structure to Vision

Examples

- 1) A small, nimble and innovative human services agency is in discussions with a much larger organization. The larger organization is interested in ways to add innovative approaches. The smaller organization is seeking to protect its approaches for the long-term and have access to more substantial resources.
- 2) A nonprofit skilled nursing home is seeking to build a continuum of care and living options for seniors. Given real estate holdings and funding streams, there is a need to keep the funding streams distinct in stand-alone legal entities.
- 3) An organization that provides capacity building services to nonprofits is interested in joining forces with a data intermediary and a volunteer management organization to launch a for-profit enterprise. All three orgs have budgets under \$1M. There is interest in providing their consulting, data, and people management services to for-profits to generate earned revenue.

Reflection Questions

- What are the parties' objectives in each case?
- Which structure would best accomplish the objectives in each scenario? And why?
- What might be challenges that could unfold? How might you address them?

Negotiation

THE ART & THE PROCESS



This is an **intentional process** with leaders who are willing to **learn and work together** to envision the organization's future.



Establish a Board Committee

- 2-3 Board members from each organization
 - **Choose Board members with good heads, good hearts, and emotional intelligence**
- Participates in an ongoing set of meetings to explore key issues and move the process forward
- Oversees process of behalf of Board of Directors, provides updates, develops proposals
- Can support creation of letter of intent, legal counsel support, selection of consulting support (if needed)



Remember
to get the
attitude right!

Alliance work is win-win work.

- Avoid positional bargaining
- Agree to the rules of the negotiation process
- Focus on common ground interests
- Invent options for mutual gain
- Use objective decision criteria



Develop a Letter of Intent

- Creates an objective frame for the discussions
- The process of drafting the LOI helps the group define its common ground before formal planning or negotiations begin
- A great deal of information is exchanged during the due diligence process
- Tests the seriousness of intent of the participants



Decide
if you want
a facilitator

A facilitator can help with:

- Board & Staff Training
- Building Internal Clarity
- Partner Search and Feasibility
- Partnership Design
- Developing Agreements
- Supporting Implementation & Transition Planning



Manage the process of negotiation

Prevent internal confusion by:

- Having a clear goal that is written down and reviewed
- Defining what your organization brings to the table
- Defining the resources you have to invest
- Establishing criteria for the partner search
- Managing internal and external communication carefully
- Using outside expertise for the formal negotiation phase

Recognize the importance of trust

*Source: Dennis & Michelle Reina,
Trust & Betrayal in the Workplace*

The 3 Cs of Trust

COMPETENCE
"Trust of Capability"
Acknowledge people's skills and abilities, seek their input, and let them make decisions.



CONTRACTUAL
"Trust of Character"
Keep agreements, be consistent, and encourage mutually serving intentions.

COMMUNICATION
"Trust of Disclosure"
Communicate openly, honestly, and effectively.
Share information, tell the truth, admit mistakes, and maintain confidentiality.



DISCUSS: Addressing Process Challenges

What might be ways to address the following process challenges?

Executive Directors

I've been talking with a fellow CEO about merging our organizations, and I believe it's the right move for many reasons.

My organization is in initial talks for a possible alliance. One of my funders called me because they heard about it at a dinner party.

My organization is in initial merger talks. I do not like any of the Board members of the partner and do not want them on my Board if we merge.

Board Members

I do not know what strategic alliance opportunities we should consider.

A fellow Board member comes in "hot" to an early meeting and tries to make demands or "draw lines in the sand."

I'm hesitant to share our organization's sensitive information with potential partners.

Implementing the Vision

MESSAGING & TRANSITION PLANNING

Lead with clarity and proceed with purpose.



Acknowledge
Your
Experiences



Build Internal
Clarity



Assess
Relationships



Envision
Shared Work



Select &
Implement
Structure





Using an MOU

To govern collaborations

Captures agreements such as:

- The collaboration's goals and anticipated duration
- Partner responsibilities
- Financial contributions and distributions
- Staffing allocations
- Day-to-day management and decision-making

To guide consolidations or corporate changes

Captures agreements such as:

- Rationale for combination
- Selected structure
- Leadership
- Locations
- Governance
- Financial considerations
- Naming
- Transition activities



When to get other experts involved

- **Accountants**
 - Preparation
 - During due diligence
 - During transition activities (closing audits)
- **Lawyers**
 - Guidance on structure selection based on vision and intent
 - Use the MOU to develop and implement the appropriate legal transaction
 - Ensure compliance with governance and employment laws



Manage internal & external communication

- Early confidentiality
- Elevator speech
- Early stakeholder check-in
 - Funders
 - Donors
 - Regulators
- Later stakeholders
 - Affected staff
 - All staff
 - Consumers
 - Collaborative partners
- Public announcements

Transition Planning



If there is a change in corporate structure, be just as thoughtful about transition planning to:

- Protect consumers by avoiding disruptions in service
- Provide correct and reliable information throughout
- Reduce staff anxiety and promote healthy progression grief
- Engender staff support in controlling rumors and negative messages
- Reinforce organizational commitment to the new entity or venture
- Promote retention of key staff and reduce unnecessary turnover
- Adjust management to support the new entity or venture

Transition Planning



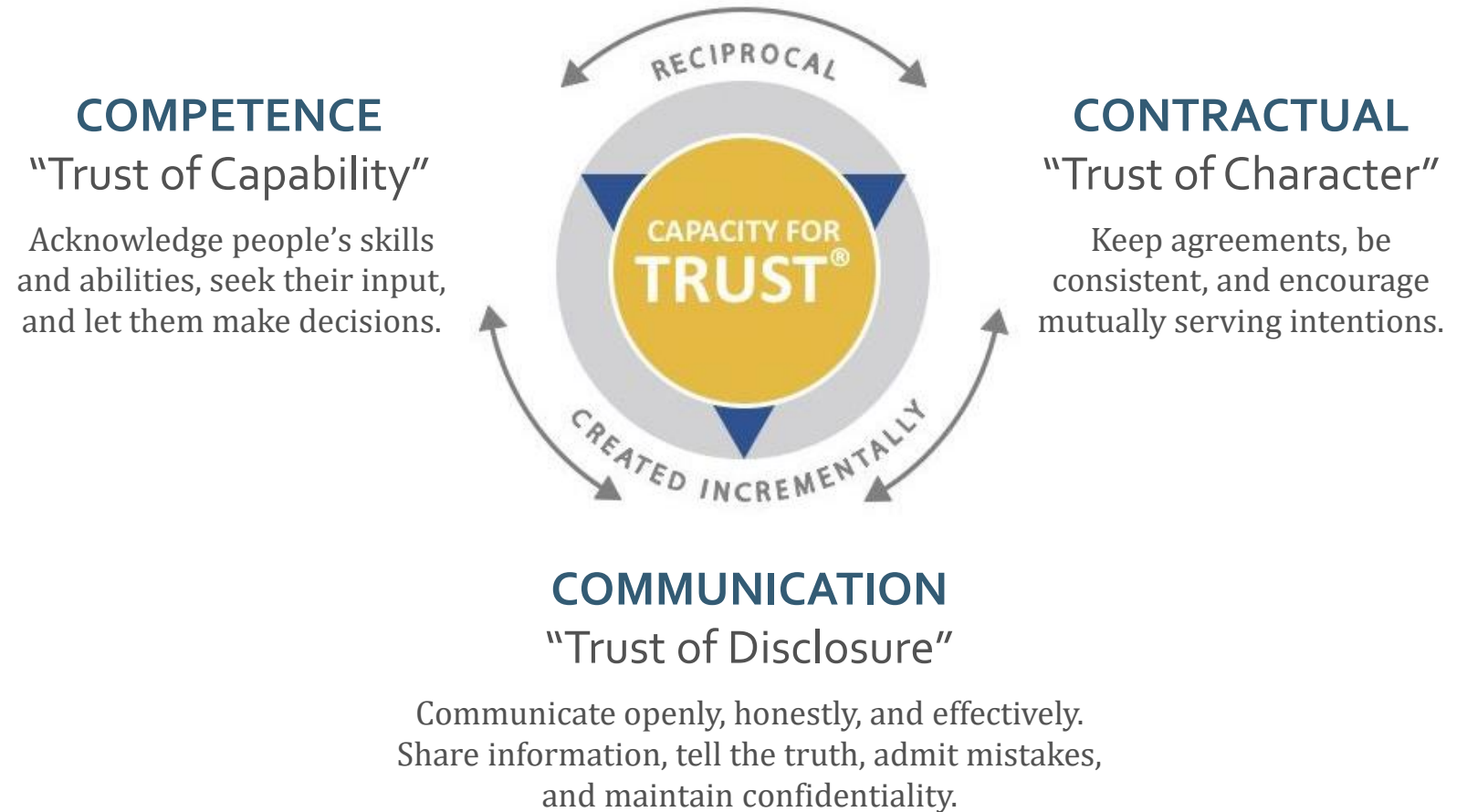
Key Elements:

- Governance implications
- Legal aspects
- Program or service changes
- CEO/senior management changes
- Personnel impact
- Finance
- Internal communication
- External communication and marketing
- Staff support
- Culture adjustments
- Physical plant modifications

Remember the importance of trust

*Source: Dennis & Michelle Reina,
Trust & Betrayal in the Workplace*

The 3 Cs of Trust





Process Recap: Addressing Your Questions



Acknowledge
Your
Experiences



Build Internal
Clarity



Assess
Relationships



Envision
Shared Work



Select &
Implement
Structure



Closing Reflection



Thank You!



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