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Partnerships, Networks, and Mergers, Oh My! Strategic Structures for Your Organization's Future

Presenter:

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The three main points of today's webinar

1. An explanation of nonprofit strategic restructuring and when can it be a beneficial strategy
2. The specific examples of restructuring models and pros and cons of each
3. How to engage the board in the idea of exploring a restructuring strategy





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What are the environmental drivers for strategic restructuring today?

How many can you name?

Key Drivers For Restructuring

1. Economic forces like the state budget crisis
2. Pressure to raise unrestricted funding for back office expenses
3. Government moving to more managed-care contracting
4. The shift to measuring results in nonprofit organizations
5. More competition from nonprofits and for-profits
6. The impending leadership gap in management
7. The political push for smaller government
8. Complexity of social issues that clients bring to the table
9. The Affordable Care Act



What do we mean by Collaboration?

Range Of Nonprofit Collaboration Models

Degree Of Corporate Integration

Which Can Be Required to Complete the Collaboration

STRATEGIC RE-STRUCTURING SPECTRUM

0%

- Membership association
- Advocacy coalition referral agreement

50%

- Partnership
- Program or Business Shared Service Alliance
- Joint Venture

100%

- Management Service Organization
- Alliance
- Co-Operative Network
- Parent/Subsidiary
 - Merger



The Definition of Restructuring

A strategy that consolidates corporate or program structure in a variety of ways, all or in part, together with one or more nonprofit organizations, in order to advance mission.



Benefits Nonprofits Seek from Restructuring

- Expand geographic reach or improve market position
- Spread administrative expenses to become more efficient
- Create a continuum of services for clients
- Increase service offerings
- Improve their public profile or create greater political influence
- Enlarge the staff and achieve greater specialization of back office and program services
- Collaborate and share knowledge and training for staff and clients
- Engage in more strategic fundraising, collaborate on campaigns, and share fundraising resources
- Share the risk and reward of entrepreneurial activities
- Strengthen staff, board, and volunteer leadership



**Purpose
Defines
Structure**

AND

**Structure
Breeds
Behavior**

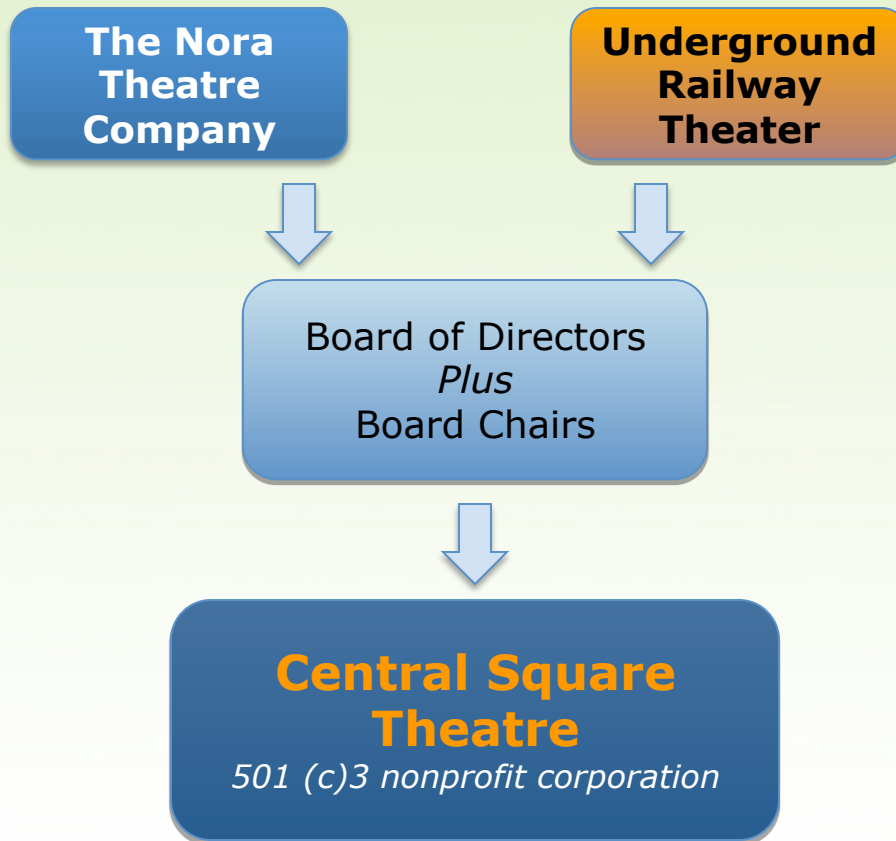


Types of Structures

- Joint Ventures
- Management Service Organizations
- Alliances
- Parent/Subsidiary
- Mergers

Joint Venture Partnership

Governed by a 501(c)(3) Board of Directors



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Joint Venture Partnership

Administrative Consolidation with a Lead Partner



Management Service Organizations

501(c)(3) Nonprofit Corporation



MACC Commonwealth
501(c)3 with 10 Autonomous Members



Finance

General Accounting
Budgeting support
Management of payables
and receivables
Audit support
990 and other
government filings



Human Resources

Compensation, benefits,
Time tracking,
Leave administration,
Staffing support,
Records management,
Performance review systems



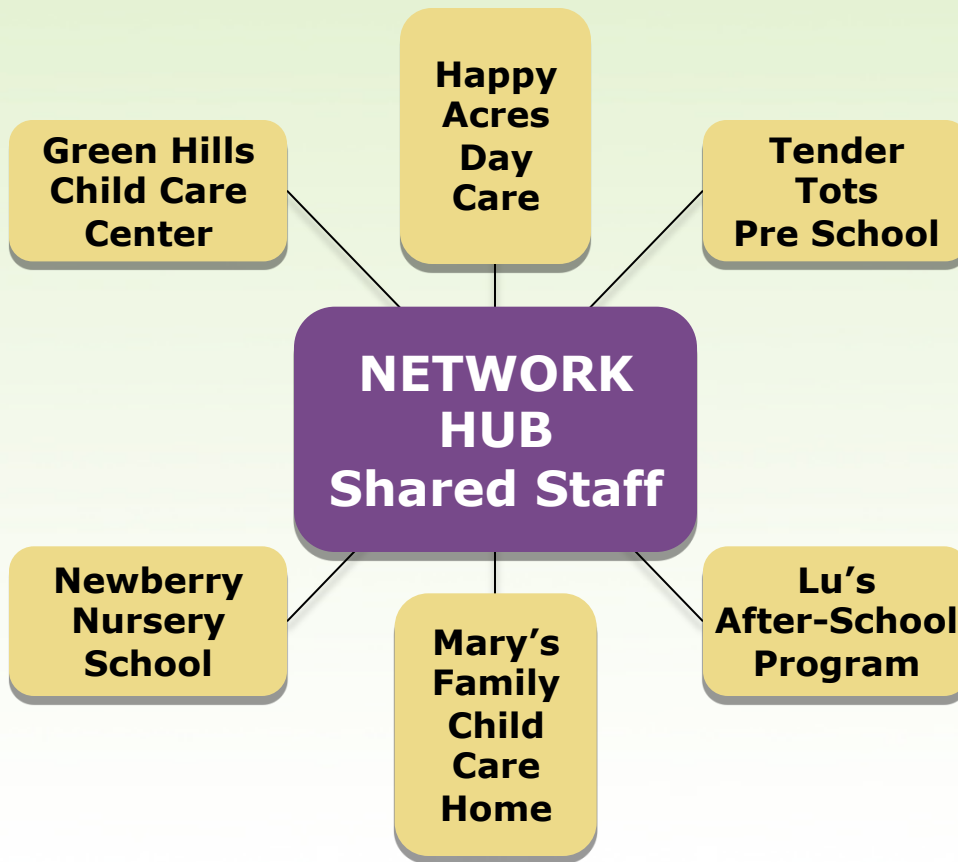
Information Technology

Infrastructure
management, Helpdesk,
Client data system,
Wide-area networking and
Internet access
Voice-over-IP (telephony)



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Shared Service Alliance



Parent Corporation

Saint Elizabeth Community
Just like family



St. Elizabeth Community PARENT CORPORATION

ST. ELIZABETH
MANOR
(housing for the
disabled)

ST. ELIZABETH
HOME
(assisted living)

ST. ELIZABETH
COURT
(nursing home)

CORNERSTONE ADULT
SERVICES
(adult day care)



Cornerstone Adult Services has agreed to a two-year phase in with St. Elizabeth Community. They will have over-lapping boards during that time, and shared governance duties while they test the partnership relationship.



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Liberty Lutheran Services, Southeast PA

\$26MM administrative consolidation/merger,
with separate corporate structure



Nonprofit Merger



Badger Association
of the Blind &
Visually Impaired

Center for Blind
& Visually
Impaired
Children



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Difficulties of Restructuring Models

- Unclear chain of command
- Require Ongoing time to process decisions
- Inequitable distribution of duties
- Lack of clarity around roles
- Require Middle managers to do double duty
- Staff turnover



Strengths of Restructuring Models

- May be easily disassembled
- Can allow for autonomy
- Improve market position
- Offer legal protection
- Share cost and risk
- Create economies of scale
- Create continuum of services
- Improve quality of back office services



Engaging the Board

- How to engage the board in the idea of exploring a restructuring strategy?
 - Create a Strategic Planning Committee
 - Review your strengths, weaknesses, opportunities, and threats
 - Review all possible strategies to address your weaknesses and threats, including strategic restructuring strategies
 - Determine which strategies best leverage your strengths and opportunities





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Questions and Answers

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