Introduction to Nonprofit Strategic Restructuring

Presenter:
Mary Anderson, Senior Managing Consultant, M+S Consulting
The three main points of today’s presentation

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
What are the environmental drivers for mergers and partnerships today?

How many can you name?
Key Drivers For Restructuring

1. Economic forces like the recession
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

<table>
<thead>
<tr>
<th>0%</th>
<th>50%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Membership association</td>
<td>• Partnership</td>
<td></td>
</tr>
<tr>
<td>• Advocacy coalition referral agreement</td>
<td>• Program or Business Shared Service Alliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Joint Venture</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Management Service Organization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Alliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Co-Operative Network</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Parent/Subsidiary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Merger</td>
<td></td>
</tr>
</tbody>
</table>

Mission + Strategy
CONSULTING
Accelerating Social Value
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 Re-Structuring

• 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

The Nora Theatre Company
Underground Railway Theater

Board of Directors
Plus
Board Chairs

Central Square Theatre
501 (c)3 nonprofit corporation

Mission + Strategy
CONSULTING
Accelerating Social Value
Joint Venture Partnership
Administrative Consolidation with a Lead Partner

**LEAD PARTNER**

Tennessee Aquarium

**Contract**
Independent Institutions with their own Boards

Creative Discovery Museum
Hunter Museum of American Art
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)
Shared Service Alliance

NETWORK HUB
Shared Staff

- Green Hills Child Care Center
- Happy Acres Day Care
- Tender Tots Pre School
- Newberry Nursery School
- Mary’s Family Child Care Home
- Lu’s After-School Program

Strawberry Adventure
Cornerstone Adult Services has agreed to a two-year phase in with St. Elizabeth Community. They will have overlapping boards during that time, and shared governance duties while they test the partnership relationship.
Liberty Lutheran Services, Southeast PA
$26MM administrative consolidation/merger, with separate corporate structure

New Board
Representative from each member organization

Umbrella 501(c)3

Board
Nonprofit 1

Board
Nonprofit 2

Board
Nonprofit 3

Board
Nonprofit 4

Board
Nonprofit 5

Executive Team
lead by CEO

VP

VP

VP

VP
Nonprofit Merger

Badger Association of the Blind & Visually Impaired

Center for Blind & Visually Impaired Children
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
Questions and Answers

Mary E. Anderson

mary@missionplusstrategy.com