
Webinar

Economics of Partnerships & Collaborations



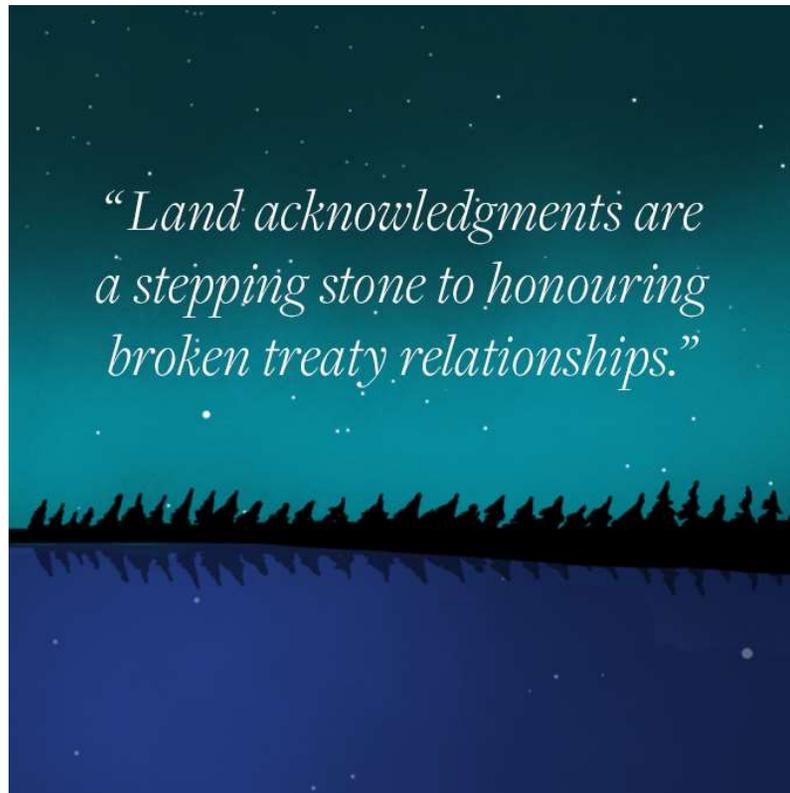
Facilitated by

Kristine Alvarez, Director
Nonprofit Finance Fund

June 15, 2021
1 pm ET



Acknowledgment of Indigenous Territories



- We invite you to share in the chat the Indigenous Territory you are joining us from:

<https://native-land.ca/>

Nonprofit Finance Fund: Where Money Meets Mission

NFF envisions a world where capital and expertise come together to create a more just and vibrant society

We unlock the potential of mission-driven organizations through

- **Tailored investments**
- **Strategic advice**
- **Accessible insights**

Guided by our Core Values

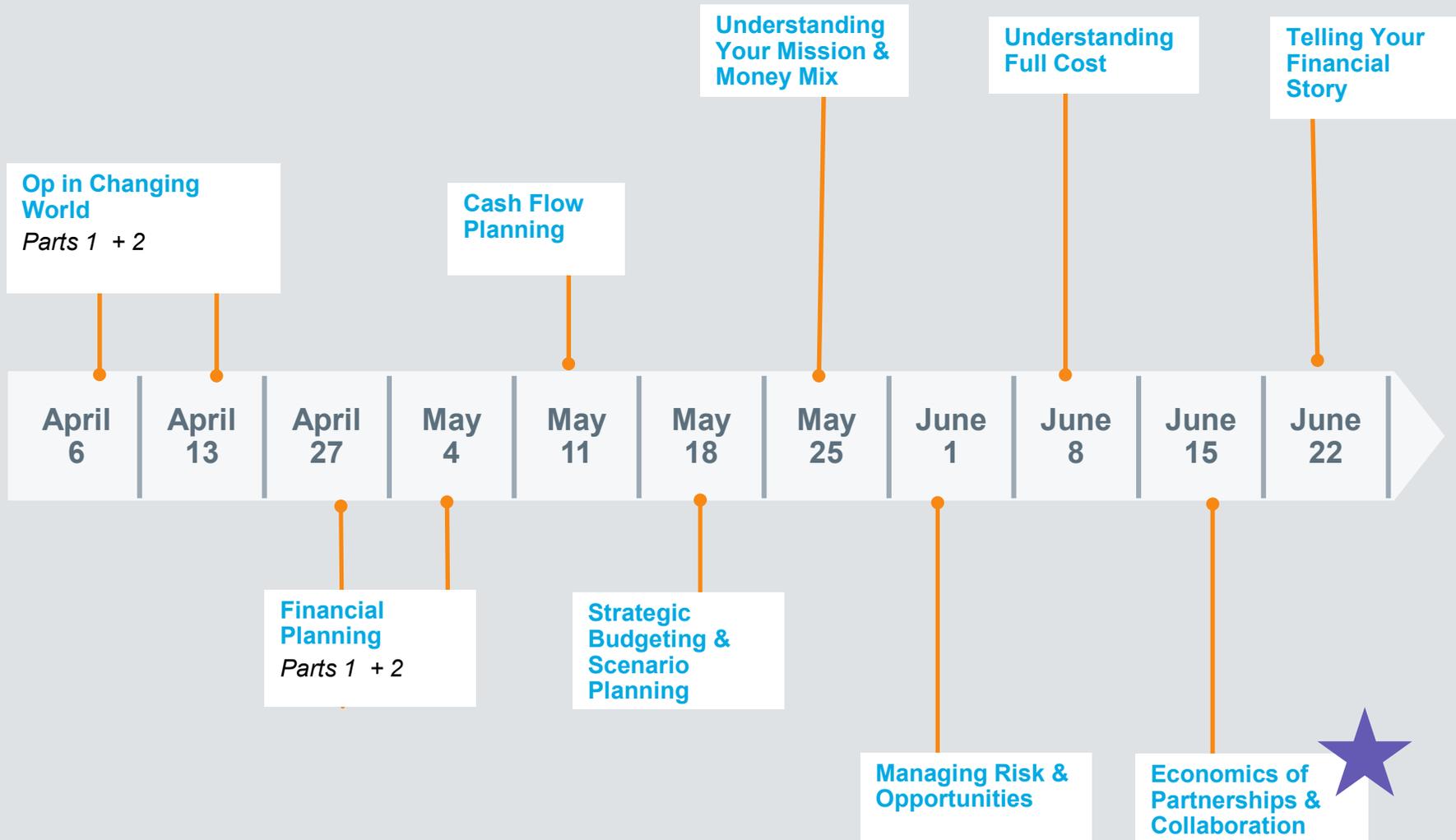


Meeting Agreements

Contribute to a meaningful learning experience

- Every experience is valid; we are here as peers to learn from each other
- Invitation to share freely and candidly, and ask questions
- Take care of your needs first

Upcoming Sessions



Learning Goals

POLL QUESTION



Recognize the conditions for successful collaborations



Assess partnership prospects & facilitate productive conversations with potential partners



Identify financial considerations & risks (including full costs in partnerships and collaboration)

Forms of Collaboration Vary by Level of Integration

Compete	Co-exist	Communicate	Cooperate	Coordinate	Collaborate/ Partner	Integrate
Competition for clients, resources, partners, public attention	No systematic connection between agencies	Inter-agency information sharing (e.g., networking)	As needed, often informal, interaction, on discrete activities or projects	Organizations systematically adjust and align work with each other for greater outcomes	Longer term interaction based on shared mission, goals; shared decision-makers and resources	Fully integrated programs, planning, funding, mergers

Less Integration ←————→ More Integration

- Relationship structure should align with collaboration objectives: **Form follows function**
- Many structures are possible: **Not one-size-fits-all**
- All forms can influence a program or organization’s business model

“Form Follows Function”



1. What **goal(s)** are we trying to achieve?
- 2. What collaboration **structure** is necessary to achieve the goal(s)?

Why do Nonprofits Collaborate? What are Common Collaboration Areas?

- **To achieve economies of scale:**
 - Organizations potentially save money through efficiencies
 - **To advance mission through a more efficient outreach/referrals process:**
 - Similar groups collaborate to provide each other a steady flow of clients
 - **To expand the value proposition of each organization:**
 - Organizations collaborate to expand their offerings or services without necessarily increasing their budget
 - **To guard against risk:**
 - Partners are able to “share the risk” inherent with experimentation and innovation
-
- Cost savings**
- Expand reach/impact**
- Mitigate against risk**

Developing Your Collaboration Value Proposition

**Compelling
Problem to You
& Your Partner**

**How Your Org
Provides a
Solution & the
Outcomes Sought**

**Why You're Better
than the
Alternatives**

**Support You
Need**

Self-Assessment: Core Strengths

It's important to understand the full set of strengths and resources we bring into a situation:

- **Relationships & Reputation** – our partnerships, networks and reputation, and access to community resources
- **People & Skills** – the skills, expertise, experiences of staff, board and volunteers
- **Data & Know How** – how we know what we do works, how we understand our mission impact
- **Financial** – the alignment of financial resources to pay for what we do - delivering and supporting the mission in the immediate and longer term



Data & Know How

A culture of learning that uses real-time quantitative and qualitative data to enhance service delivery and decision making



What Does This Require?

- People to manage, measure, and interpret data
- Dollars to pay for the systems and processes
- Relationships with others to share information

Relationships & Reputation

Connections with external stakeholders (community members, funders, service providers, etc.) to help you advance your mission.



What Does This Require?

- A culture of trust and transparency
- A willingness to share experiences broadly, despite the risks
- Commitment to partnership in times of ambiguity
- Collaborative 'muscle' in coordinating partnerships
- Perspective on the services you provide in relation to your 'ecosystem'

People & Skills

Skills, knowledge, and abilities of staff, management, and leadership to deliver on mission now and in the future



What Does This Require?

- Leadership team with strong strategic & analytic mindset
- Program teams with strong subject matter expertise
- Ability and resources to recruit, retain, and train talented staff
- Communication and transparency with internal and external teams

Financial

The alignment of your resources to deliver and support your mission in the immediate and long term



What Does This Require?

- Systems to track and analyze funding
- Relationships with funders and a strong reputation
- Staff and leadership to realize earned and contributed revenues
- Understanding the full cost of mission delivery

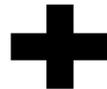
What are the Full Costs of Collaborating?

One-time and ongoing needs

Collaborations must think of both startup and ongoing needs. This impacts expenses in two ways:

One-Time, Upfront or Periodic Costs

- Technology upgrades
- Capital investments
- Consultants
- Feasibility studies



Additional Annual Expenses

- New staff
- Program supplies
- Evaluation costs
- Fundraising capacity

- It is important for both individual organizations and the collaborative to understand and articulate their full costs

What do you bring to (and need from) a collaboration?



Assessing Partner Organization(s)

Financial
What financial characteristics would complement your organization's strengths and gaps?

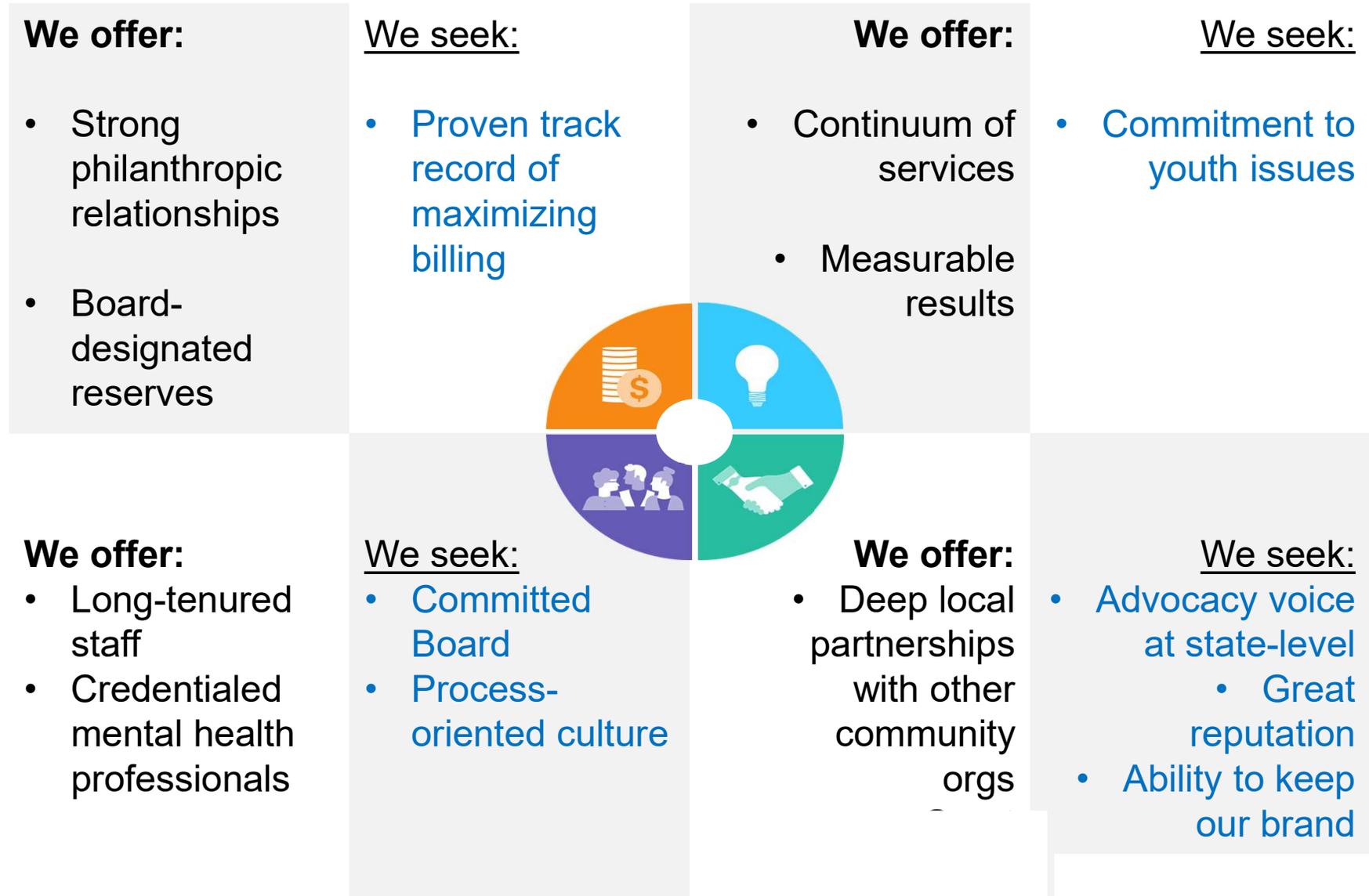


Data & Know How
Is your goal to serve more people or go deeper with them in your partnership? How can a partner add value to your programs/ services?

People & Skills
What sort of organizational culture would match or complement yours?
Do you need additional staff or new expertise?

Relationship & Reputation
With which organizations do you already have good relationships? Is there a match in your existing network?

What do you bring to (and need from) a collaboration?



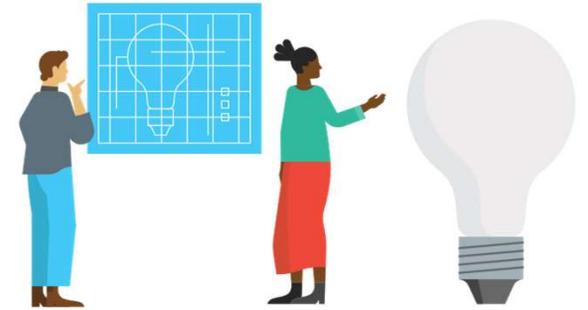
What Hinders Collaborative Aspirations?

Common Barriers:



- **Knowledge** of the collaboration process and pitfalls
 - **Trust** in relationships to handle the hard stuff
 - **Resources** to see the partnership through
 - **Risk!**

Potential Barrier: KNOWLEDGE



Challenges

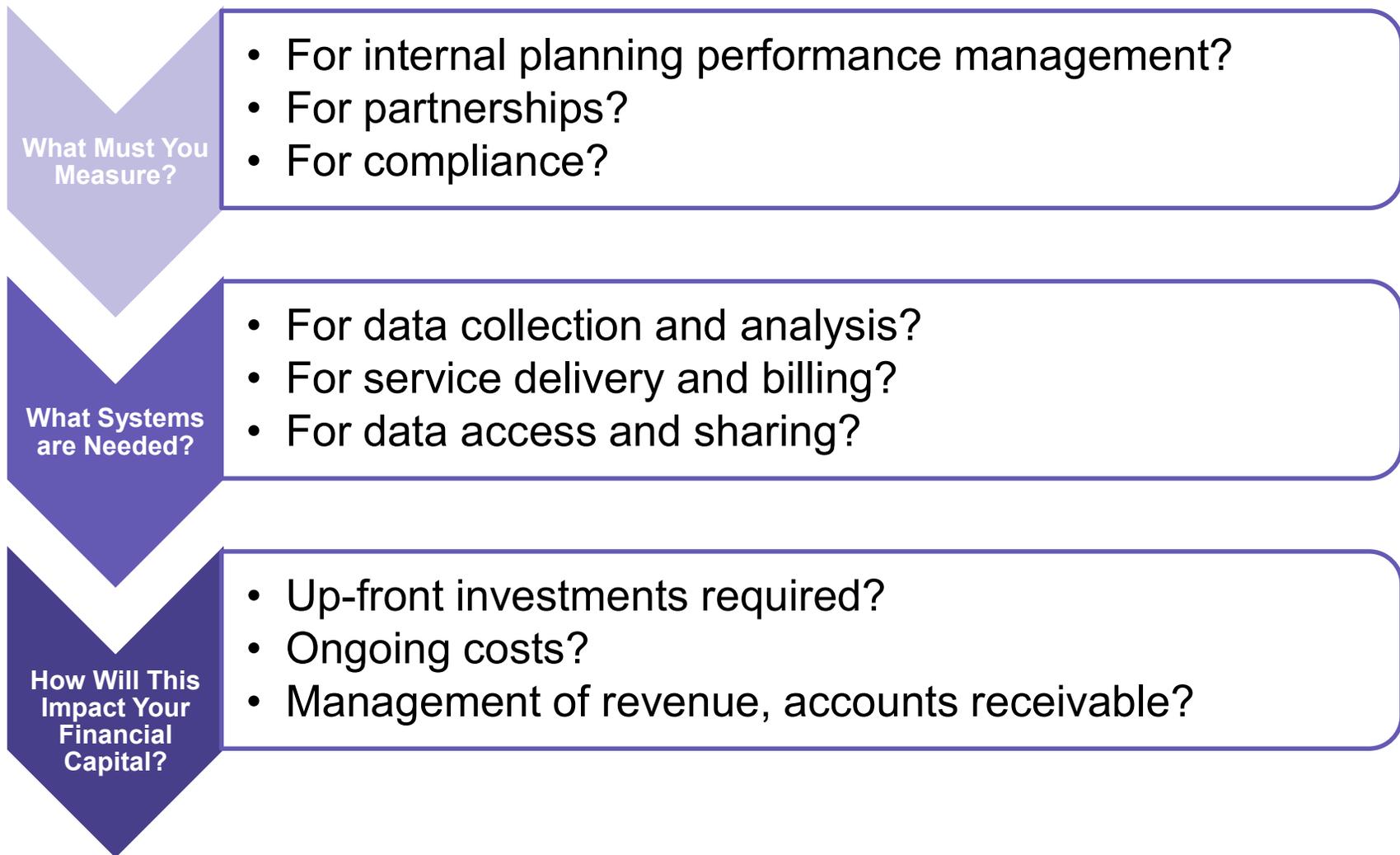
- Uncertainty that collaboration is the right strategy for your organization
- Unforeseen partner issues
- Clear understanding of necessary collaboration structure

Recommended Practices

- Conduct open and candid strategic planning process
- Assess your organization's existing inventory of knowledge and skills
- Research collaboration in your sector and/or hire an experienced consultant(s)

Example: Data Knowledge Gap

Impacting Intellectual and Financial Strengths



Potential Barrier: TRUST



Challenges

- Fear...of uncertainty, of change, of loss of control
- Incompatible cultures
- Lack of transparency

Recommended Practices

- Consider partnering within existing relationships
- Create opportunities for staff and board members to build informal relationships
 - *Food and drinks often help!*
- Identify alignment *and* gaps, and address the difficult issues early on
- Write commitments down: A handshake works until it doesn't
- Know your alternatives to collaboration at all times

Potential Barrier: RESOURCES



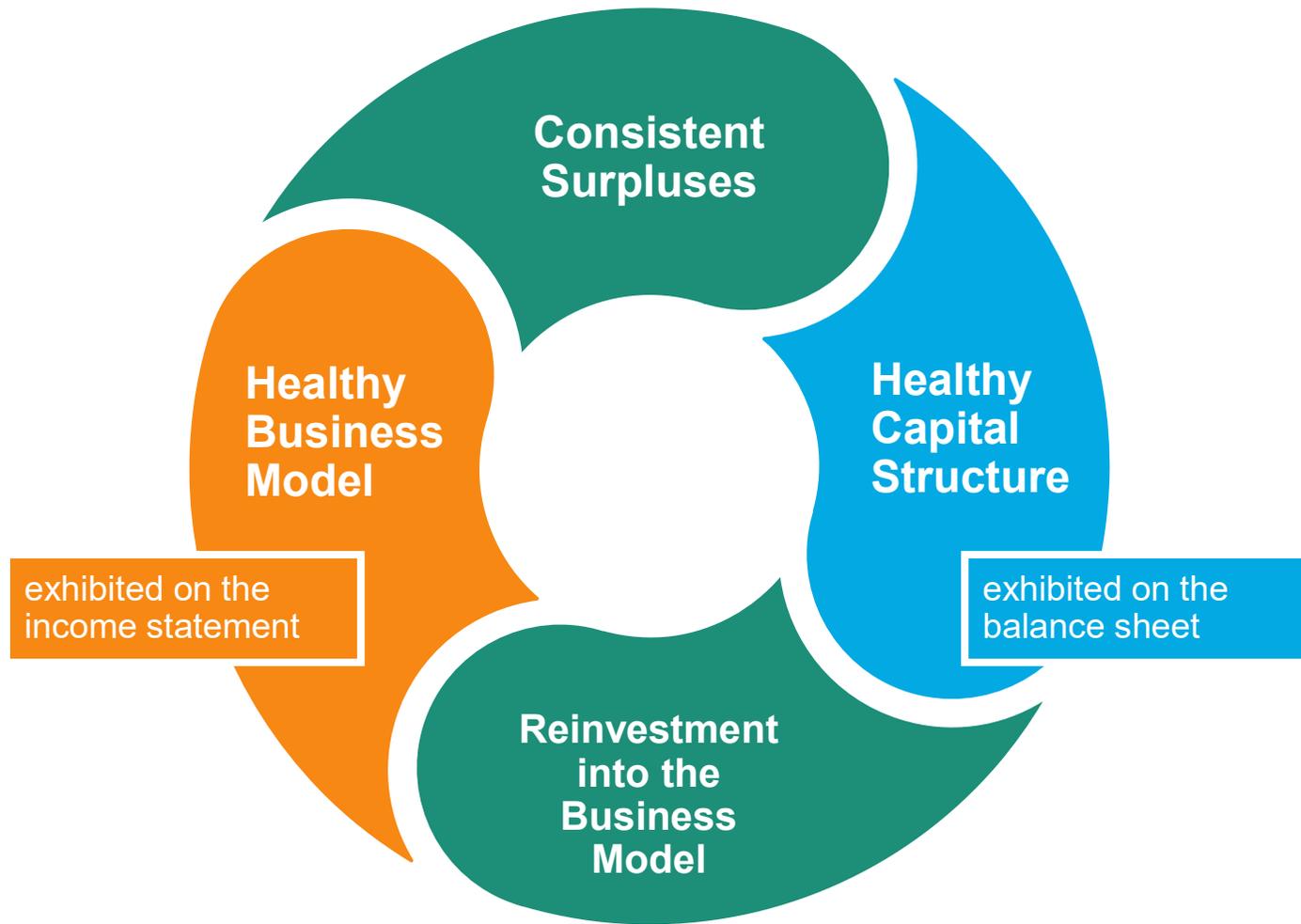
Challenges

- Collaboration requires considerable senior staff and board time commitment
- One-time **financial costs** of exploring, planning, and implementing
 - Consultants
 - Technology/systems change
 - Re-branding
 - Personnel-related changes
- Cost savings can be difficult to realize in the short-term
- Fear of funding loss

Recommended Practices

- Collaborate for mission reasons first
- Designate a task force of key senior staff and board members, plan for significant time investment
- Communicate clearly and candidly with funders when the time is right
- Seek funding for one-time costs & determine the business model for ongoing expenses

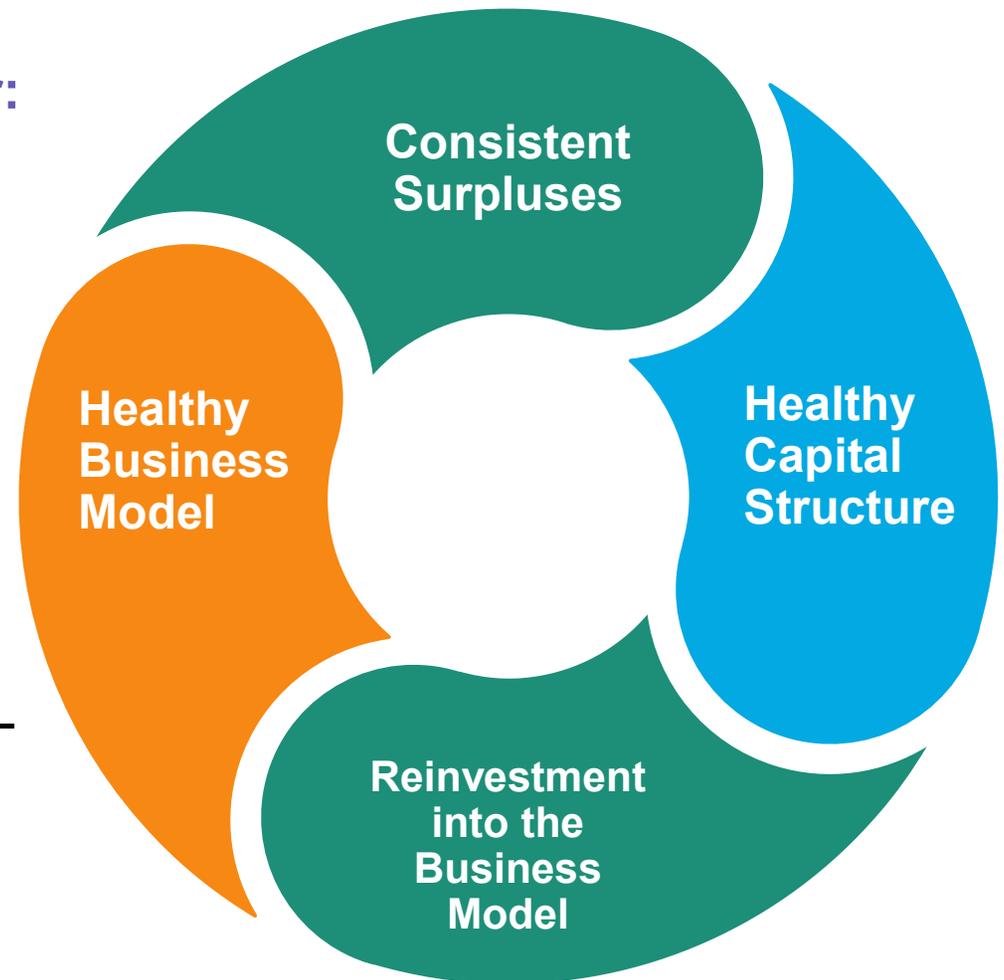
Nonprofit Business Model



What is required from each organization to make the collaborative Business Model operate?

Financial questions to consider:

- What regular, reoccurring and reliable revenue is required for the collaborative to operate?
- What shared revenue sources exist?
- What are the ongoing fixed and variable expenses to keep the collaboration operating on a day-to-day basis?



Potential Barrier: RISK

A strong capital structure (balance sheet) is the best shield against risk!

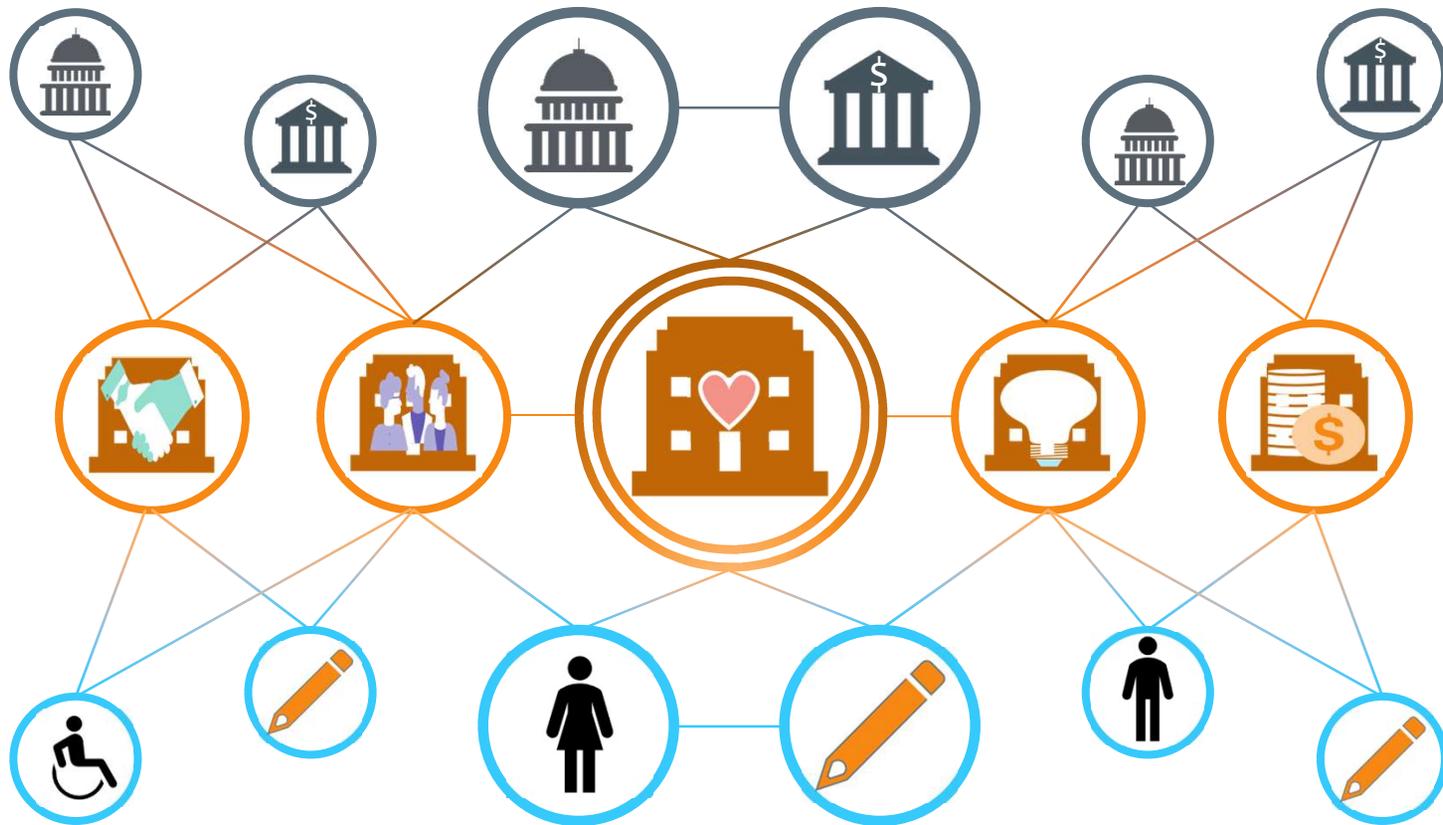


- If your organization has...
 - No unrestricted cash or receivables
 - A fully drawn line of credit
 - Little or no reserves available to management
 - Significant wear-and-tear of fixed assets

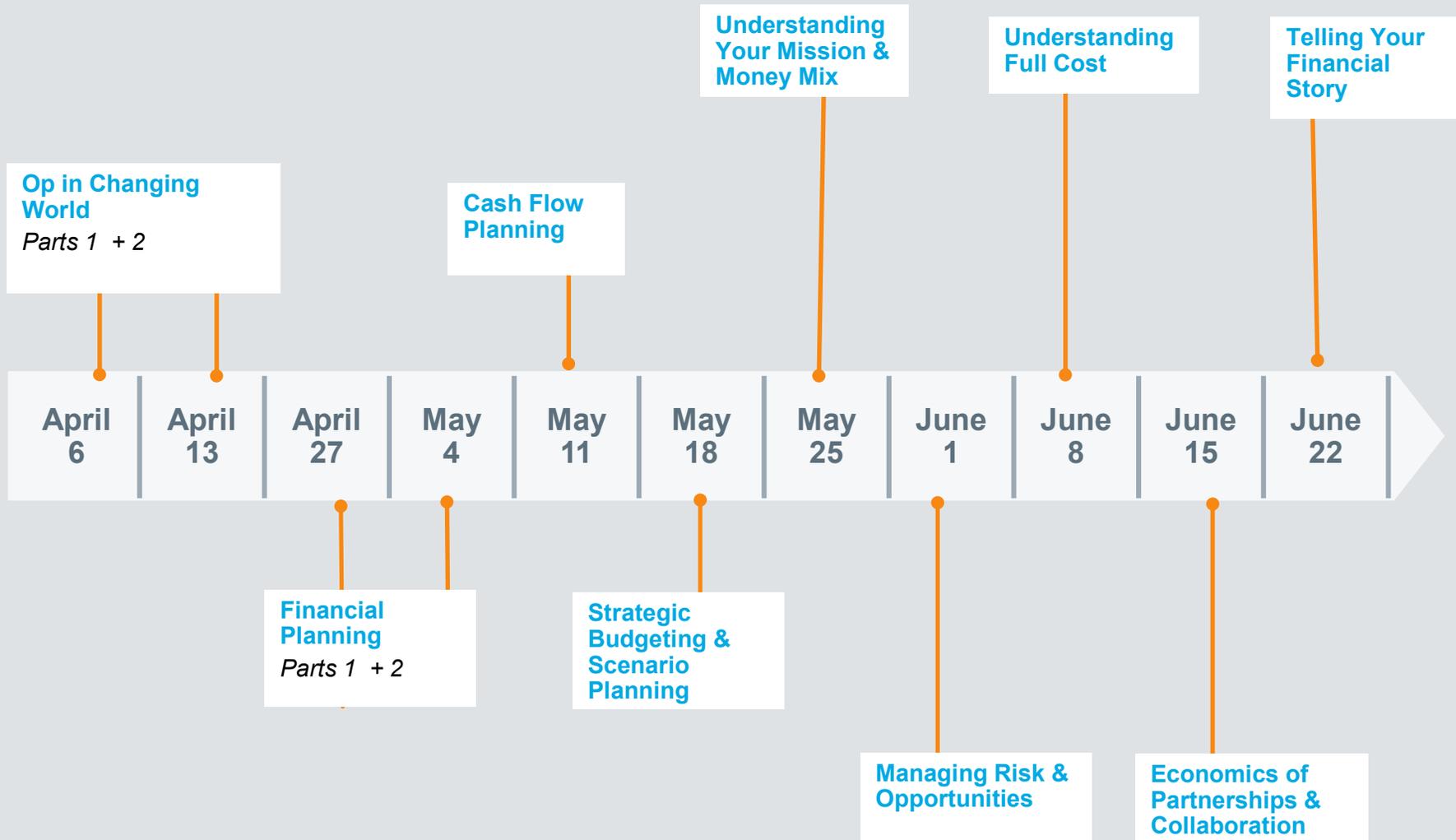
...it has very little ability to adapt its services, **forge new partnerships,** and take on new risks.

- Risk – Cash = Crisis

Collaborating for Greater Impact



Upcoming Sessions



Up Next

Telling Your Financial Story for Different Audiences

April 22, 2021, 1 – 2 pm EST

Nonprofit leaders must know, own, and effectively articulate their organization's financial story. By communicating this story well, leaders build trust and credibility, contextualize financial reports, connect finances to mission, and advocate for their organization's needs. This session will:

- Guide you through the process of crafting a compelling financial story for your organization with budgets, dashboards, financial statements, and other materials.
- Offer techniques for getting to know your various audiences, positioning your financial story for each of your audiences, and engaging board and other stakeholders during times of crisis.



Questions?

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