Webinar

Economics of Partnerships & Collaborations

Facilitated by
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Nonprofit Finance Fund

June 15, 2021
1 pm ET
Acknowledgment of Indigenous Territories

“Land acknowledgments are a stepping stone to honouring broken treaty relationships.”

- 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

CORE VALUES
- Equity in Action
- Rigor Without Attitude
- Responsiveness
- Generosity of Spirit
- Leading By Doing
- Responiveness
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

- Op in Changing World
  Parts 1 + 2
- Financial Planning
  Parts 1 + 2
- Cash Flow Planning
- Understanding Your Mission & Money Mix
- Strategic Budgeting & Scenario Planning
- Managing Risk & Opportunities
- Understanding Full Cost
- Economics of Partnerships & Collaboration
- Telling Your Financial Story

Dates:
- April 6
- April 13
- April 27
- May 4
- May 11
- May 18
- May 25
- June 1
- June 8
- June 15
- June 22
Learning Goals

- 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

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

- What is the problem you’re looking to address through collaboration?
- Why is this important?
- What outcomes do you produce?
- Among what target pop(s)?
- What services does your organization deliver to achieve these outcomes?
- What pre-existing relationship/track record do you have with your partner(s)?
- How does your organization deliver results better than a partner or peer’s alternatives?
- What unique strengths do you bring to the table?

- What capacities will need to be acquired, expanded or bolstered to partner?
- What are the corresponding resource needs (financial and otherwise)?
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
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?

Strengths:

Gaps:

Strengths:

Gaps:

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 Howl**
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?

We offer:

- Strong philanthropic relationships
- Board-designated reserves

We seek:

- Proven track record of maximizing billing
- Continuum of services
- Measurable results

We offer:

- Continuum of services
- Measurable results

We seek:

- Commitment to youth issues

We offer:

- Long-tenured staff
- Credentialed mental health professionals

We seek:

- Committed Board
- Process-oriented culture

We offer:

- Deep local partnerships with other community orgs
- Great reputation

We seek:

- Advocacy voice at state-level
- Great reputation
- Ability to keep our brand
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

What Must You Measure?
- For internal planning performance management?
- For partnerships?
- For compliance?

What Systems are Needed?
- For data collection and analysis?
- For service delivery and billing?
- For data access and sharing?

How Will This Impact Your Financial Capital?
- Up-front investments required?
- Ongoing costs?
- Management of revenue, accounts receivable?
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

Consistent Surpluses

Healthy Business Model exhibited on the income statement

Reinvestment into the Business Model

Healthy Capital Structure exhibited on the balance sheet
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
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Cash Flow Planning

Understanding Your Mission & Money Mix

Telling Your Financial Story

Financial Planning
Parts 1 + 2

Strategic Budgeting & Scenario Planning

Managing Risk & Opportunities

Economics of Partnerships & Collaboration
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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