

Partner to Grow!

An Introduction to Strategic Re-Structuring

Not in his goals but in his transitions
man is great. –

Ralph Waldo Emerson



A Workshop by:

Jean Butzen

Mission Plus Strategy Consulting
Mission Plus Strategy = Social Value

Goals for the Workshop:

Part I: What is Strategic Re-Structuring?

- Define Strategic Re-Structuring
- Explain the four basic types of nonprofit strategic re-structuring

Part II: Getting Started

- To provide some approaches for speaking to a collaboration partner and to your board
- To discuss the beginning steps to a collaboration
- To identify where to go for more information about strategic re-structuring

What is my Story?



- Mission Plus Strategy Consulting specializing in Strategic Re-Structuring
- CEO, Lakefront Supportive Housing, 18 + years
- 30 years leading in the nonprofit sector
- Named by the Chicago *Sun-Times* 100 Most Influential Women
- YWCA Metropolitan Chicago, Outstanding Leadership Award
- Crain's *40 Under 40 Award*
- Leadership Greater Chicago, *Distinguished Fellow of the Year*
- Native Chicagoan, mother, wife



Part I: **What is Strategic Re-Structuring?** **More than Mergers!**

The Four Basic Models:
Joint Ventures, Management Service
Organizations, Parent Corporations, and
Mergers

What to Call This...



- Strategic Re-Structuring
- Nonprofit Alliances
- Full or Partial Consolidations

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.

Is SR a good strategy for your nonprofit? The key question is:

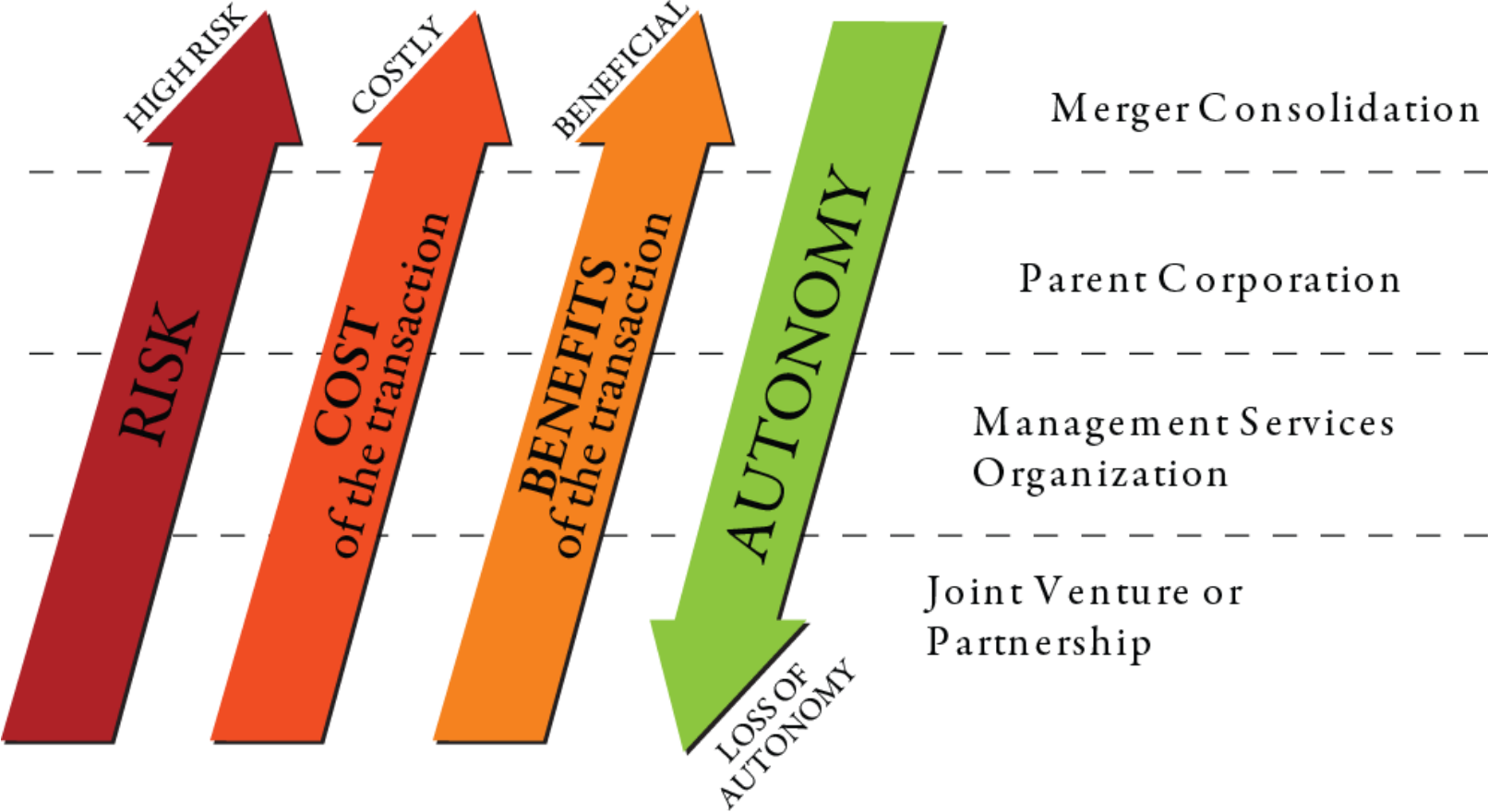
- Given the environmental factors impacting my organization, can my nonprofit more effectively deliver its mission if we work together with one or more nonprofits, than we can by working alone?



5 Drivers for Strategic Re-Structuring:

1. Pressure to raise unrestricted funding for back office expenses.
2. Government moving to more managed-care contracting
3. The shift to measuring results in nonprofit organizations
4. More competition from nonprofits and for-profits
5. The impending leadership gap in the management in the sector.

Goal #1: Overview of the 4 Most Common SR Models





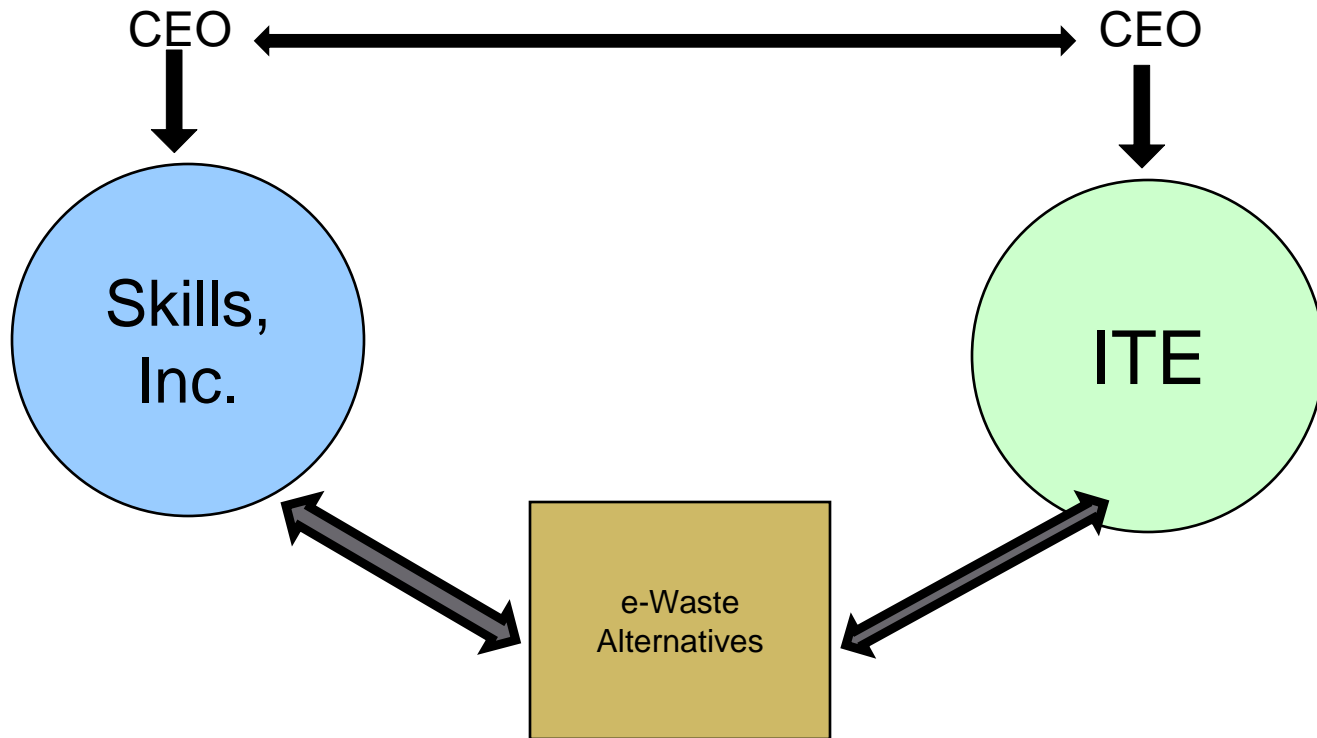
STRATEGIC RE-STRUCTURING MODEL 1: PARTNERSHIPS/JOINT VENTURES

Characteristics:

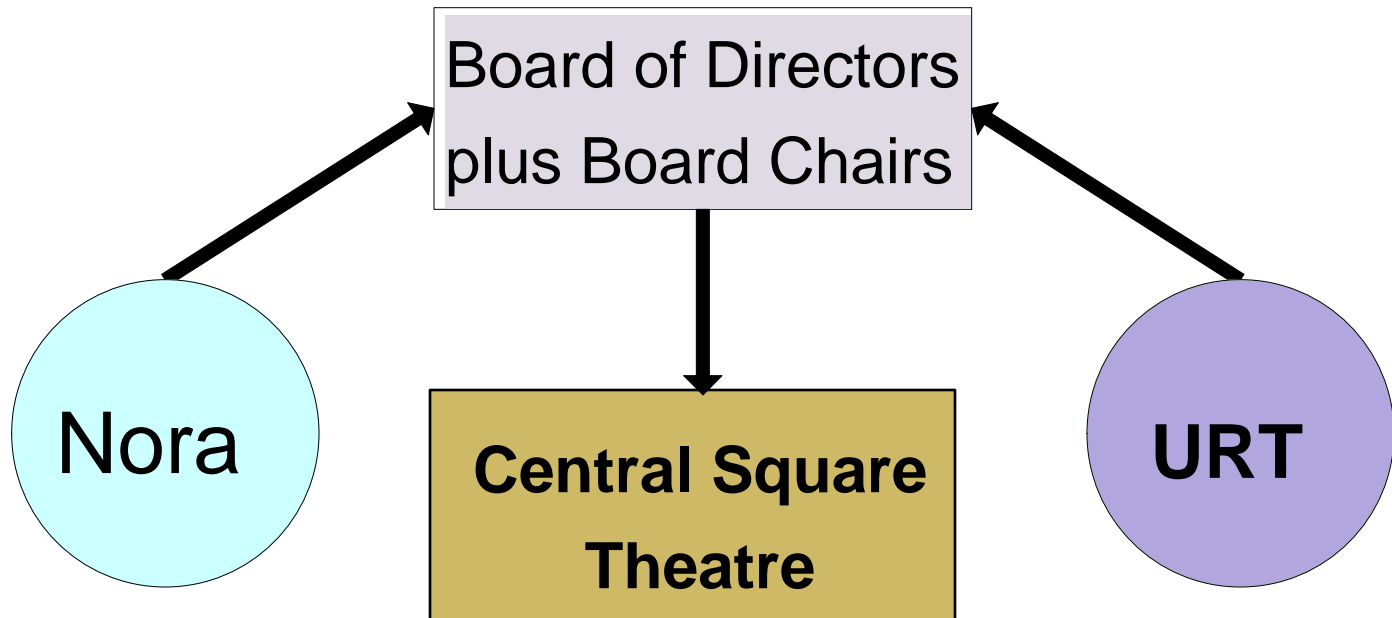
- Two or more organizations come together to accomplish a specific purpose
- Time limited activity
- Three legal variations

Skills, Inc. & Information Technology Exchange

Variation 2: A Legal Contract



Variation #3: Joint Venture Governed by a 501(c)3 By-Laws





STRATEGIC RE-STRUCTURING MODEL 2:

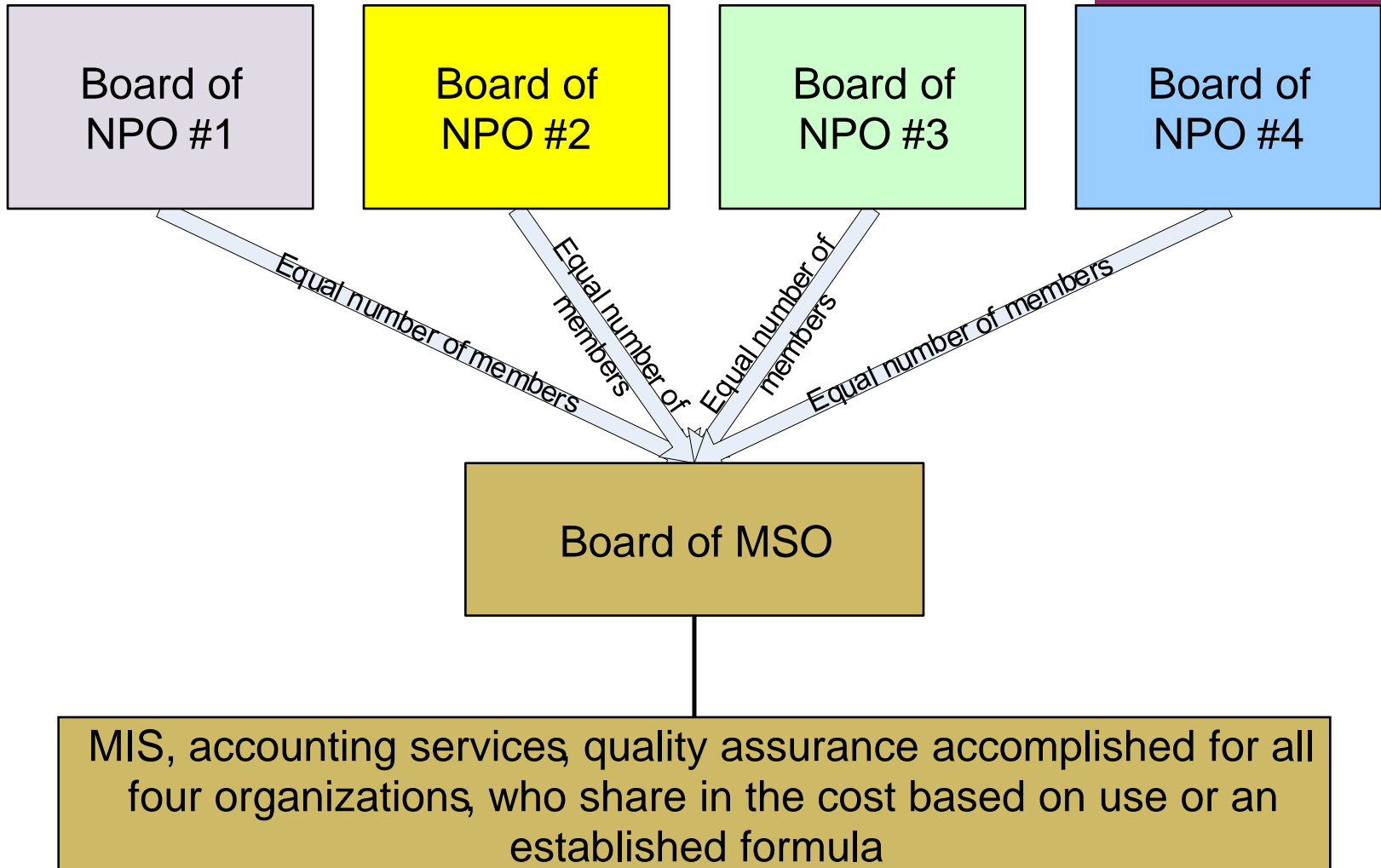
MANAGEMENT SERVICE ORGANIZATIONS:

To provide management and administrative services to one or more nonprofits on a fee-for-service basis, in order to gain operating efficiencies and increase the quality of management systems in one or more areas of operations by consolidating costly overhead.

Types of Services Provided by an MSO:

- Human Services Management
- Fiscal Services, Accounting, Auditing
- Information Technology
- Facilities Management
- Fundraising
- Joint Purchasing
- Planning
- Contracts Management
- Marketing/Communications
- Quality Assurance

MSO Model: Jointly Held Management Services Organization



**MACC
ALLIANCE OF CONNECTED COMMUNITIES
27 MEMBERS**

**MACC COMMONWEALTH
6 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

**INFORM.
TECHN.**

Infrastructure management
Help desk
Client data system
Wide-area networking and
Internet access
Voice-over –IP (telephony)

STRATEGIC RE-STRUCTURING MODEL 3:

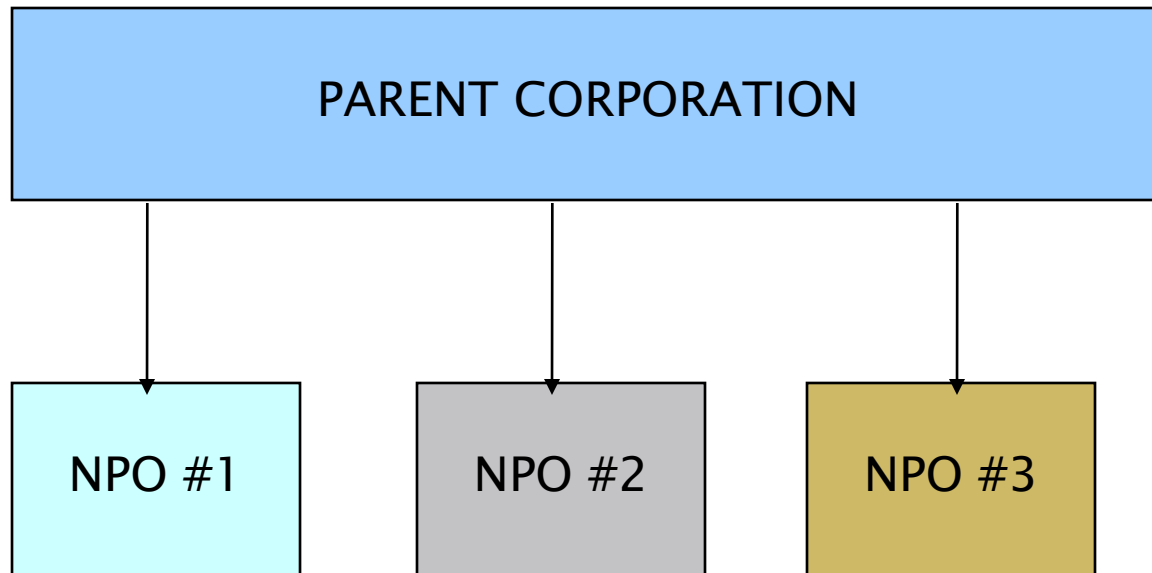


PARENT CORPORATIONS:
A Continuum of Models

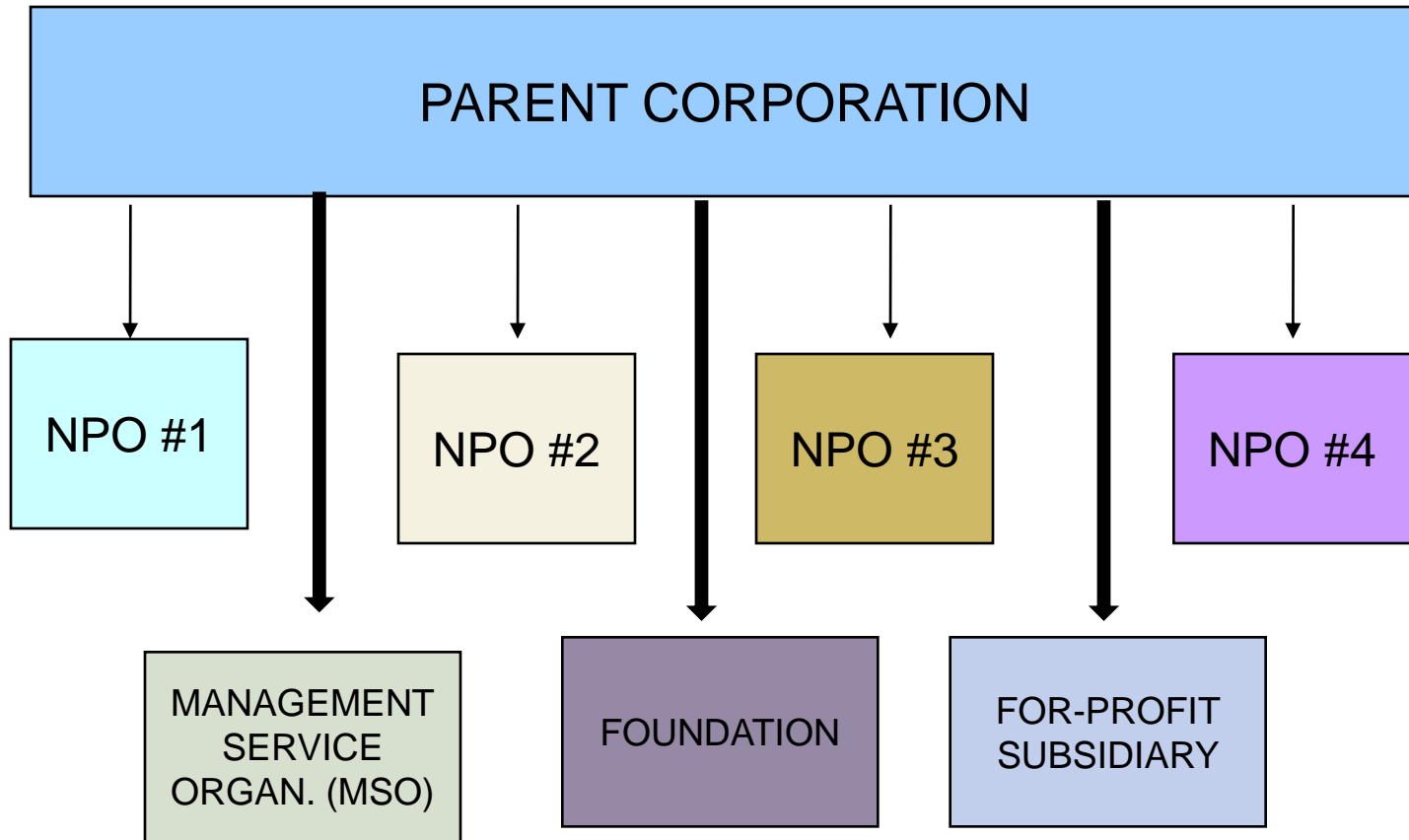
DEFINITION OF: A PARENT CORPORATION

An umbrella under which several separate organizations can be grouped. The corporate parent holds certain specifically designated authority over the governance and management of the corporations grouped beneath it, determined through negotiation. The parent corporation is a corporate member of the parties involved, a status that is designated in the re-written by-laws of the existing corporations.

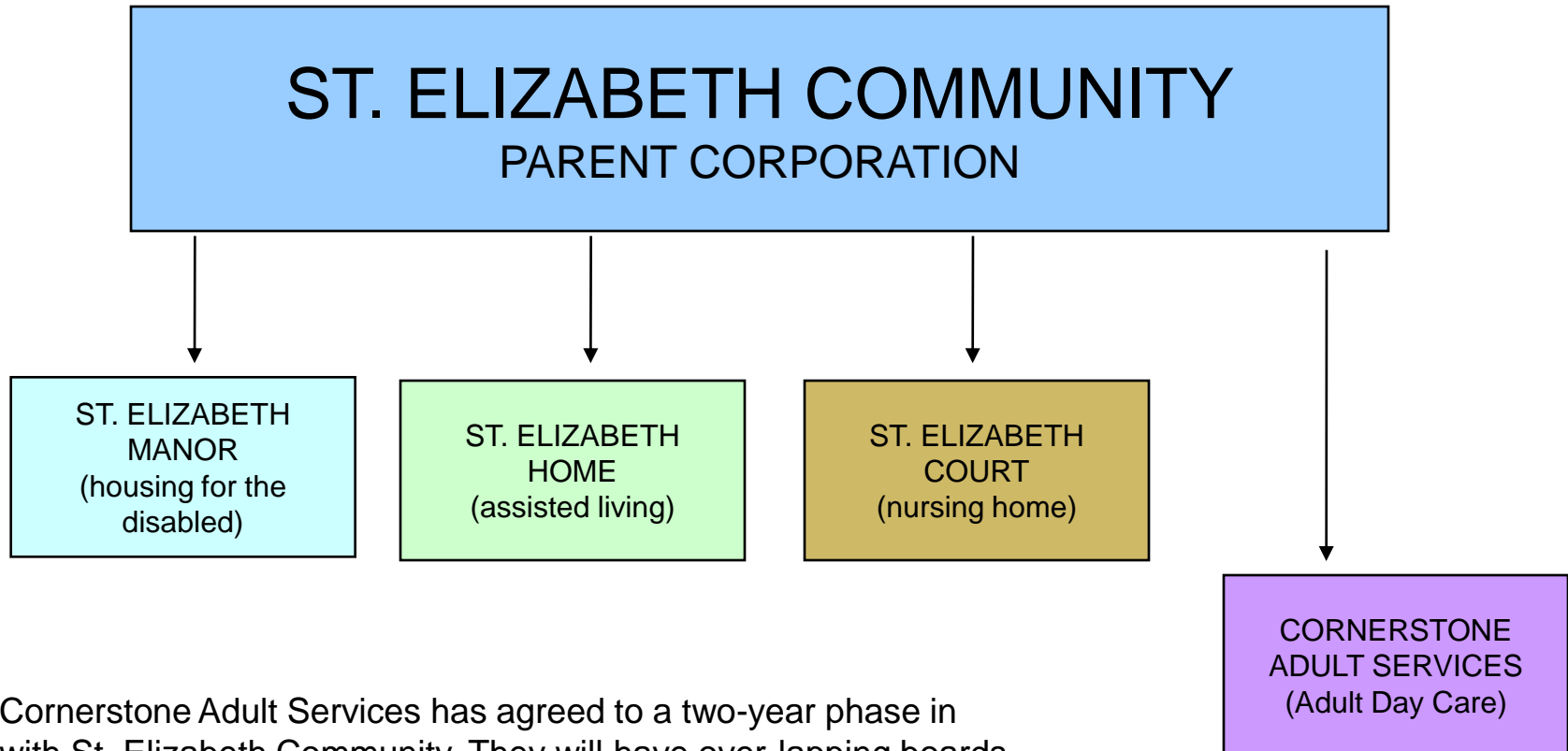
PARENT CORPORATION MODEL #1



PARENT CORPORATION MODEL #2



ST. ELIZABETH'S COMMUNITY – A Parent Corporation Model



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.



STRATEGIC RE-STRUCTURING MODEL 4:

NONPROFIT MERGERS: $1 + 1 = 3$

*What we call the beginning is often the end
And to make an end is to make a beginning.
The end is where we start from.*

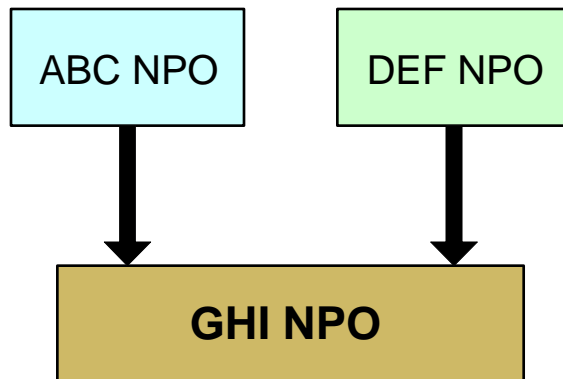
-T.S. Eliot

Little Giddings, from Four Quartets

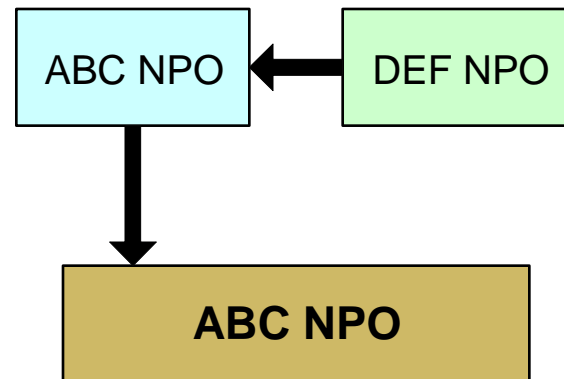
Nonprofit Mergers

- Leveraging for Program Outcomes
- To expand geography
- Spreading costs more efficiently

MERGER OUTCOME #1



CONSOLIDATION OUTCOME#2



ARIZONA CHILDREN'S ASN.



A member of Arizona's Children A



SOUTHERN ARIZONA
**AGAINST
SEXUAL ASSAULT**

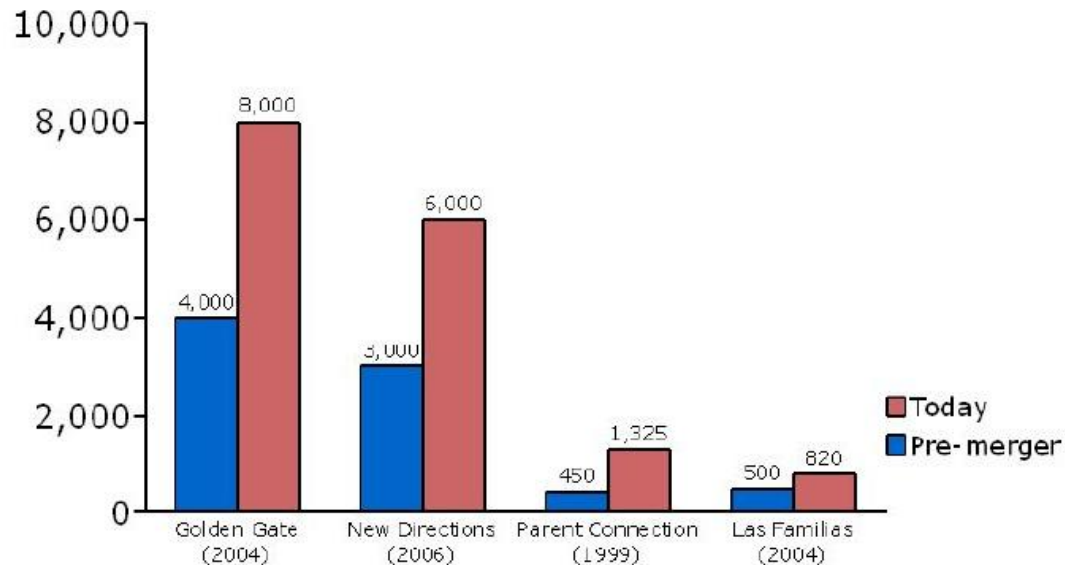
*A Member of Arizona's Children Association
Family of Agencies*



*A Member of Arizona's Children Association
Family of Agencies*

Mergers drove growth in clients served at AzCA

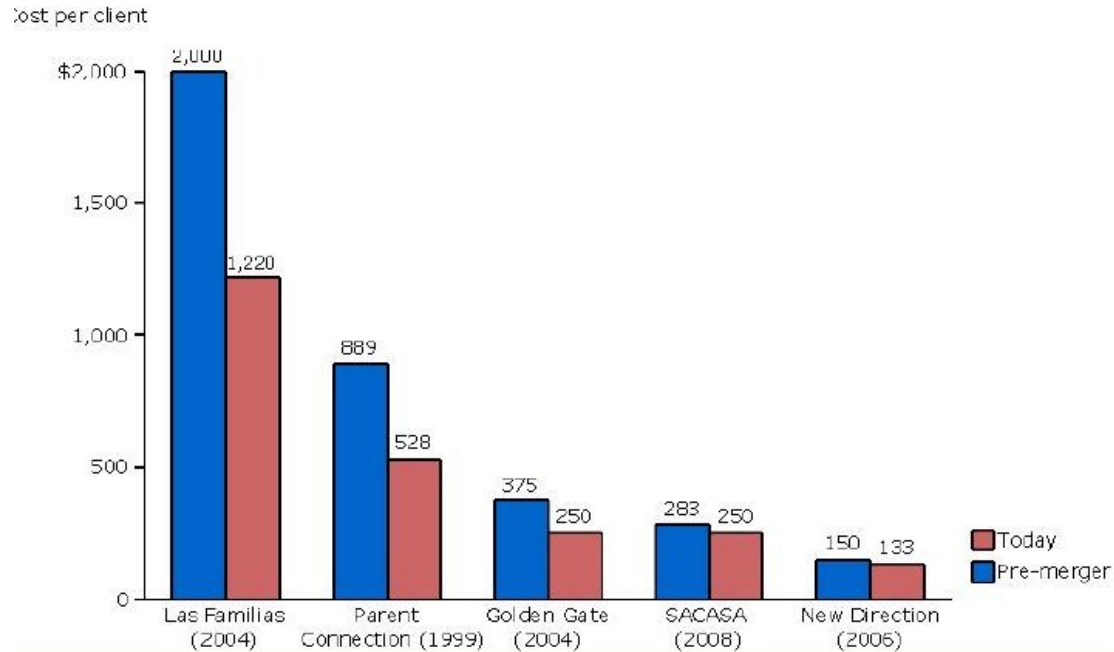
Clients served



Excluding the two most recent mergers that AzCa has done

M& A: More Than a Tool for Tough Times, February, 2009.
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AzCA mergers drove down cost per client



Cost per beneficiary have been reduced from 11 to 40 percent

M&A More than Tool for Tough Times, February, 2009. Copyright © Bridgespan 2009. All rights reserved .



Part II: Getting Started

Preparing to Collaborate

1. Identify the desired goals to achieve from a successful collaboration
2. Determine what type of collaboration might best deliver your goals
3. Define the criteria for selecting the right partner based on the goals you wish to achieve
4. Brainstorm potential partners that fit the criteria; apply the criteria to the list of partners and see who comes out on top.

What to Look for in— A Collaboration Partner

- Before you sit down with a potential collaborator, what characteristics are you looking for?
 - Trust
 - A history of working together
 - Shared vision
 - Shared mission
 - Strategy alignment



Practice time – what to
say to a potential partner?



As easy as going out for coffee.

Opening lines -

- I'd like to talk about the futures of our two organizations.
- Would you be interested in going out for coffee to talk about the potential of our organizations working more closely together?
- I've been thinking about the future of our organization and I feel like I need to collaborate more seriously. Would you like to have coffee to talk about it?

Meet as often as necessary...

- You are looking for a commitment to proceed on some type of collaboration
- The collaboration model can be explicit, or not
- You may want to discuss potential roles of the two staff leaders in advance (who gets to be boss), if it's pertinent
- You can decide when the time is right to go to each Board of Director with a proposal

How to Approach the Board?

- I have been thinking about new strategies which could stabilize our organization and help us expand our mission...
- I have exciting news, the ABC organization in our community is interested in the possibility of forming a collaboration with our nonprofit in order to decrease operating expenses and expand our programs.
- I have been researching strategic re-structuring strategies for nonprofits and feel it is time for our nonprofit to consider a collaboration.

Enlisting the Board of Directors

- Talk to the Board Chair first, or possibly the Executive Committee to generate support for the concept and to flush out reactions.
- Make sure to emphasize that this is a proposal and that it would need to be fully vetted by the Board of Directors before any implementation could move forward.
- Make a presentation to the full Board; educate the board about what strategic restructuring is. That could be a little or a long time to complete.

Enlisting the Board, continued...

- the Board may want to study the issue. Make the case for why a collaboration would serve you; answer the questions:
 - What goals would you want to achieve from a collaboration?
 - what type of a collaboration would help you achieve your goals?
 - what is the process your board would want to pursue for opening a formal dialog with another organization?

Enlisting the Board, continued...

- It's important to identify potential barriers and people who are opposed at this stage of the process.
- Having one or two people who are negative is one thing; having a significant minority (or majority) of your Board opposed means you have a lot of work to do, or this may not be an idea that will work.
- Make sure to identify some board leaders early in the process to start carrying the idea forward.



Practice Time – Talking to the Board Chair

As easy as...?

Talking to a Donor

- I have some exciting news for you about our organization's strategy...
- I would like to get your feedback about a strategy that we are pursuing; we do not know if we will ultimately choose to do this or not but I want to be sure that you know what we are considering.
- As a key stakeholder in our organization I want to be sure you know about a strategy we are considering. If we go forward, I will need your support.



Practice Time – Talking to a Donor

Easier than asking for money!

Initial Steps to- Organizing a Collaboration

- Have each Board vet the idea of the collaboration. If they are in agreement, prepare a letter of intent and have each board approve it, and then sign it.
- Create a Negotiating Committee composed of the representatives of each Board and the Executive Director to determine if they can agree on terms for the collaboration. These terms become the Memorandum of Understanding.

Where to go for more information:

- See the bibliography in the book by Jean Butzen –

Strategic Re-Structuring, pgs.32-33

*Strategic Re-Structuring Workshop,
4-Hour Format, Jan. 26th*