



CONSIDERING COLLABORATION

Guidance for Community Foundations
Assessing Potential Partnerships



Growing the impact of Michigan philanthropy

INTRODUCTION

Increasingly, nonprofits are looking to collaboration as a strategy to adapt to change, strengthen their sustainability and grow their social impact. Community foundations not only play a role in supporting effective collaboration among grantees, but also have attributes that make them attractive as prospective partners. The Council of Michigan Foundations (CMF) offers this guide to help community foundations weigh such collaborative opportunities.

With the role of intermediary organizations in flux, some are exploring new ways to survive and thrive. Given their complementary roles as local funders, community foundations and United Ways may seem like ideal partners. In some cases, this proves true; in others, partnership may not be the answer. This guide uses the example of a successful agreement between Albion Community Foundation (ACF) and Albion-Homer United Way (AHUW) to highlight practical lessons for those that may be considering similar alliances.

This tool is intended as a starting point. Use it with your board members and leadership staff to inform internal conversations about pursuing potential partnerships. If you need additional guidance, contact CMF's Learning Services team at 313-566-2444.

BEGIN WITH A VALUE PROPOSITION

In June 2018, ACF and AHUW negotiated an administrative service agreement that capitalizes on their complementary strengths to better serve the community. AHUW has served Albion and Homer for more than 50 years, and today makes grants to support youth literacy and other community needs. ACF also just celebrated its semicentennial and manages assets of \$5.4 million, awarding grants for programs and long-term community investments. Each fills an important niche in local giving. That being said, AHUW had been operating with part-time staff and limited administrative capacity — capacity that ACF has in spades. Recognizing this opportunity, they entered into a fee-for-service contract for ACF to provide financial management and other administrative services to AHUW.

This partnership includes several benefits:

- Efficiency – reduces duplication by maximizing use of existing administrative capacity at ACF.
- Effectiveness – ensures strong financial management and allows AHUW to focus on campaigns and grantmaking.
- Sustainability – maintains a local United Way presence, keeping giving in the community.

ACF and AHUW leadership were both clear on the value proposition of a potential partnership to their respective organizations and to the community. Such clarity of purpose is a critical first step toward a successful collaboration.

In Albion, there are only two institutional funders: the Foundation and United Way. If either of us is struggling, the other takes on the burden. It is beneficial to both of us to be functioning optimally. Because our operations are endowed, our stability could be shared with United Way to help overcome their operational challenges.

— Tim Krause, Executive Director, Albion Community Foundation

Having the utmost respect for the Foundation and their long history of enhancing our community, I felt it would not only be an effective way of doing business for AHUW but a solid partnership to continue both organizations' good work for our community.

— Marcia Starkey, former Interim Executive Director, Albion-Homer United Way

DEVELOP A THOUGHTFUL AGREEMENT

Collaboration can take many forms. A service agreement is a type of administrative consolidation that enables the partners to specify the scope of services to be provided and the compensation (in fees) to be paid for those services, while each retains their own organizational identity and autonomy. ACF and AHUW worked with a neutral third party in a systematic process to identify their complementary needs and assets, to negotiate how they would work together, and to formalize this in an agreement. Leaders developed a partnership that protected and balanced the respective interests of their own organizations with the opportunities for mutual benefit. Wearing both hats and trusting one another to know what was best for their organizations was important to negotiating a thoughtful agreement both could get behind. Because this partnership did not entail shared or merged governance, asset transfer or other structural changes, the agreement is much like any other service contract. Other forms of partnership may require more in-depth negotiation, due diligence and legal agreements.

See Appendix for a sample agreement. Disclaimer: The agreement is a sample only. Review by legal counsel is recommended. The 7% fee that is referenced is specific to this scope of work with these partners and is not proposed as a universal or general standard.

A WORD ON COLLABORATION AND COMPETITION

Collaboration and competition are two sides of the same coin. Many nonprofits find that their potential collaborators are often the same set of organizations with which they compete for clients, donors, or other resources. For this reason, partnerships among organizations with similar missions or business models can be more challenging than among related, but very different organizations. Given the many hats community foundations wear in the community — funders, conveners, donor services providers, etc. — it is important to consider the organization's competitive and/or collaborative positioning, and to be clear about your intentions before pursuing a partnership.

PROCESS OVERVIEW

- 1. Assessment:** First in your own organization, and then with your potential partner(s), identify the potential for sharing back-office services. Exchange background materials to inform a thorough mapping of functional areas as needed. (If you are sharing sensitive information, you may wish to have a non-disclosure agreement in place; consult your legal counsel on this matter.)
 - Being that ACF and AHUW's agreement focuses on financial management services, the two looked closely at their respective methods of accounting, fiscal years, gift processing standards, grantmaking processes, and tax reporting responsibilities.
 - This initial phase entailed 2-3 individual meetings with each organization in March-May 2018.
 - 2. Negotiation:** Develop initial recommendations and budget for the scope and specific areas of shared service, including roles and responsibilities and relevant policies. You may wish to elicit key stakeholder input and buy-in, provided all partners have agreed to discuss the partnership outside of the organizations. Consult with legal counsel in finalizing a written agreement to be approved by the boards.
 - Having a clear vision of the result they were working toward helped ACF and AHUW focus on the substantive issues, keep the process moving toward a mutual agreement, and avoid getting stuck on the "small stuff" or unnecessarily overcomplicating matters.
 - ACF and AHUW's decision to use ACF's existing financial policies and procedures was important to success, making integration more seamless and lessening the burden for ACF while offering AHUW proven processes that were already implementation-ready.
 - This phase included joint meetings with key staff and board members of both organizations in April-May, with the boards meeting to approve the agreement in June 2018.
 - 3. Implementation:** As of the agreed-upon start date, begin shared back-office operations, which may include sharing of information, routing of checks, donor communications, etc. Be prepared to troubleshoot unanticipated questions or glitches in the first few weeks. Evaluate and adjust as provided for within the terms of the agreement.
 - ACF and AHUW discussed the need for dedicated staff to manage AHUW transactions at ACF and considered the hiring of an intern to keep costs low. Ultimately, they decided that the volume of additional work does not warrant additional staff at this time.
 - Following approval of the agreement, the two organizations communicated this partnership to their communities in fall 2018, coinciding with AHUW's fall campaign and ACF's 50th anniversary celebration.
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COMMUNICATE WELL AND WISELY

Communication is a critical component of the negotiations process. Not only must prospective partners be skilled in communicating their interests, concerns and agreements — communications with other stakeholders can make or break a partnership’s success. ACF and AHUW developed plans for how and when to announce their new relationship in a way that reassured their respective stakeholders and maintained the integrity of their respective brands. Being proactive about communications (such as providing board members with clear talking points) helps to disarm potential rumors and ensures that messaging is timely, coordinated and consistent.

LESSONS LEARNED: SUCCESS FACTORS VS. COMMON PITFALLS

Success Factors	Common Pitfalls
Trust	
ACF and AHUW had an existing rapport, both at the organizational level and among key individuals; many successful partnerships build on a prior relationship or past collaboration.	Trust is essential. If it does not already exist, it needs to be built/earned, and this takes time. Partnerships between organizations of very different sizes may raise unique trust issues due to power imbalances.
Mission Focus over Self-Interest	
Both saw the benefit to the community as top priority. Further, because AHUW leadership held an interim position, job loss was not a major cause of concern.	Self-interest can be a barrier to collaboration. This may include fear of job losses (usually in merger situations), competitive positioning or simply ego.
Autonomy	
For ACF and AHUW, both organizations retain their independent missions, identities and assets.	Concerns about loss of autonomy and identity are a common challenge to successful partnerships.
Strength-Based	
ACF could leverage its systems/capacity and AHUW could do what it does best around campaigns and grantmaking. Both saw the opportunity to leverage their unique strengths.	Waiting too long for a partnership to help shore up a weakness or avert a crisis can kill partnership options or reduce the likelihood of success.
Risk/Reward	
The modest size of both ACF and AHUW reduced complexity and risk; keeping giving local was a compelling reward.	Larger, more complex organizations mean more can go wrong, and/or reward may not be as immediately perceived.
Third-party Facilitation	
ACF and AHUW availed themselves of assistance from consultants and legal experts who could bring their objectivity and experience to bear.	Partnerships can be self-negotiated, but self-interest can be a barrier. Avoid approaching partnerships like for-profit mergers and acquisitions, which has a very different focus.

THREE KEY QUESTIONS

All of the above should be part of community foundations' conversations when considering potential partnerships. However, there are three themes — community, complementarity and capacity — that pose particularly useful discussion questions for weighing collaborative opportunities.

Community: How will this partnership serve our mission?

The motivations for partnership may very well include benefits to the organizations themselves (and rightly so!), but the ultimate beneficiary must be the community served.

Complementarity: Where does our work align or overlap, and are we prepared to work collaboratively rather than competitively?

Collaboration taps into synergies to create something new and better, but it can also entail compromise or tradeoffs.

Capacity: Can we take on the additional work that comes with this opportunity?

Community foundations are typically founded on an ethos of service and may be predisposed to collaboration — even if it takes more effort than they've bargained for. Be clear-eyed in assessing what you can realistically manage.

ACKNOWLEDGEMENTS

Thank you to the following organizations for their assistance in completing this resource:

Albion Community Foundation
Albion-Homer United Way
La Piana Consulting
Michigan Association of United Ways
